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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES—Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION
OF SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC. FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, TO APPROVE RATES
DESIGNED TO DEVELOP SUCH RETURN
AND FOR RELATED APPROVALS.

DOCKET NO. E-01575A-08-0328

PRE-FILED REJOINDER TESTIMONY OF DAVID W. HEDRICK
ON BEHALF OF
SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

April 17, 2009

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1 **I. INTRODUCTION**

2
3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is David W. Hedrick and my business address is 5555 North Grand
5 Boulevard, Oklahoma City, Oklahoma 73112-5507.

6
7 **Q. MR. HEDRICK, BY WHOM ARE YOU EMPLOYED AND IN WHAT**
8 **CAPACITY?**

9 A. I am employed by C. H. Guernsey & Company, Engineers, Architects and
10 Consultants. I am Vice-President and Manager of the Analytical Services group.

11
12 **Q. DID YOU ALSO PRE-FILE DIRECT AND REBUTTAL TESTIMONY IN**
13 **THIS MATTER ON BEHALF OF SULPHUR SPRINGS VALLEY**
14 **ELECTRIC COOPERATIVE, INC. ("SSVEC" OR THE**
15 **"COOPERATIVE")?**

16 A. Yes.

17
18 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY IN THIS**
19 **PROCEEDING?**

20 A. The purpose of my rejoinder testimony is to provide the Cooperative's position
21 with regard to certain recommendations made by Arizona Corporation Commission
22 ("Commission") Staff witnesses Crystal S. Brown, Julie Mcneely-Kirwan and
23 William Musgrove in their respective Surrebuttal Testimonies.

24 ...

25 ...

26 ...

1 **II. REJOINDER SUMMARY**

2
3 **Q. PLEASE STATE SSVEC'S POSITION WITH REGARD TO THE**
4 **RECOMMENDATIONS MADE BY STAFF.**

5 **A.** After review of Staff's surrebuttal testimony, SSVEC'S positions are:

- 6 • SSVEC continues to support the inclusion of the payroll costs associated
7 with the 10 employees added after the end of the test year.
- 8 • SSVEC continues to support the inclusion of safety pay and Christmas pay.
- 9 • SSVEC continues to support the inclusion of charitable contributions and
10 sponsorships.
- 11 • SSVEC continues to support the inclusion of actual rate case expense.
- 12 • SSVEC continues to contend that Staff's proposed revenue requirement
13 does not produce sufficient margins to increase equity. SSVEC continues to
14 support the Cooperative's revised revenue requirement and resulting
15 margins recommended in the Cooperative's rebuttal testimony.
- 16 • SSVEC does not believe that Staff has provided sufficient justification to
17 support the recommendation to require SSVEC to seek Commission
18 approval each time it needs to increase the WPCA factor.
- 19 • SSVEC does not agree with Staff's recommendations regarding the
20 proposed customer charges.
- 21 • SSVEC agrees with Staff's recommended Residential TOU rate.
- 22 • SSVEC agrees with certain of Staff's recommended service charges and has
23 proposed alternative charges for certain service charges.

24 ...

25 ...

26 ...

1 **III. SSVEC'S REJOINDER ANALYSIS**

2
3 **Q. What is SSVEC's justification for continuing to support the inclusion of the**
4 **\$523, 570 in payroll expense for employees hired after the test year?**

5 A. SSVEC believes the inclusion of the costs associated with these employees is
6 justified because these employees are necessary for the provision of continued
7 reliable electric service. As noted in the Surrebuttal Testimony of Crystal Brown,
8 SSVEC has not had any problems with service or quality levels. Maintaining a
9 high level of reliable service is very important to SSVEC. It would not be prudent
10 to allow service and quality levels to fall by failing to have an adequate number of
11 employees. SSVEC's proactive approach to staffing ensures that service and
12 quality do not suffer. SSVEC understands that maintaining the proper number of
13 employees is a continuous balancing of cost and the need to maintain high quality
14 service. However, waiting to hire additional staff until quality and service levels
15 decline is not an appropriate way to manage the cooperative.

16
17 SSVEC's purpose for inclusion of the additional employees was to be slightly
18 forward looking in its projection of the payroll costs required to provide service.
19 Given that these employees were hired shortly after the end of the test year, it is not
20 unreasonable to include these costs. It is clear that SSVEC's margins, equity and
21 other financial indicators are not strong. Understating the known payroll costs that
22 SSVEC is already incurring will hinder the cooperative's ability to improve its
23 margins and increase equity.

24
25 SSVEC's development of expense adjustments in this filing demonstrates its
26 understanding of the test year concept and matching of expenses with billing units.

1 Staff's argument that these payroll costs are not allowable because they are outside
2 the test year would be more compelling if the rate change process provided for a
3 timely implementation of new rates shortly after the end of the test year. Given the
4 current schedule, it is not likely that SSVEC will have new rates in effect before
5 August of this year. That will be 20 months after the end of the test year. The
6 recognition of some known, measurable and on-going expenses such as these
7 payroll costs is reasonable given the regulatory lag inherent in the process.
8 Accordingly, SSVEC continues to recommend that the revenue requirement be
9 increased to include these payroll expenses.
10

11 **Q. What is SSVEC's justification for continuing to support the inclusion of safety**
12 **pay and Christmas pay in the amount of \$45,058?**

13 **A.** Both the Christmas pay and safety pay have been consistently paid to SSVEC
14 employees every year. These items are just one piece of the entire compensation
15 package. There is no justification for singling out these specific items and labeling
16 them as unnecessary. Christmas pay is not incentive based. The small amount
17 provided for safety pay provides employees a continuing signal that safety is a
18 priority. Staff suggests that these costs could simply be paid out of cash margins.
19 This would have the affect of reducing the cash margins available to build cash
20 reserves and build equity. For a cooperative, there is no distinction between
21 margins above the line or below the line. A cooperative has no stockholders from
22 which to recover costs that are not recovered through rates. The members of the
23 Cooperative are the ones negatively affected by not allowing the Cooperative to
24 recover these reasonable compensation costs. Accordingly, SSVEC continues to
25 recommend that the revenue requirement be increased to include these payroll
26 expenses.

- 1 **Q. What is the basis for Staff's continued exclusion of charitable contributions?**
- 2 A. Staff contends that contributions and donations are voluntary costs and are,
3 therefore, not needed in the provision of service. Further, staff contends that
4 Decision No. 58358 does not provide automatic recovery of such costs.
5
- 6 **Q. Are Staff's arguments to exclude charitable contributions valid given the**
7 **provisions in Decision No. 58358?**
- 8 A. No. Had the Commission intended to exclude charitable contributions in all
9 circumstances, the Commission had only to say as much in the order. The
10 Commission expressly did not. Instead, the Commission clearly included a
11 provision which recognized that cooperatives are different. The provision allows
12 for the recovery of charitable contributions if certain conditions were met. Those
13 conditions included a change in the Cooperative's by-laws. That change was
14 accomplished long ago as discussed in the Rebuttal Testimony of Jack Blair, and is
15 further discussed in Mr. Blair's Rejoinder Testimony. This provision makes sense
16 for an electric cooperative where the member-owners and the rate payers are the
17 same people. Excluding charitable contributions because they are deemed to be
18 voluntary and not needed is not justified given that the member-owners have given
19 their approval to include these costs in the rates they pay.
20
- 21 **Q. What is SSVEC's recommendation regarding charitable contributions?**
- 22 A. The proposed revenue requirement should be increased by \$298,622 to include the
23 costs associated with charitable contributions.
24 ...
25 ...
26 ...

1 Q. What is Staff's argument for not including the actual rate case expenses
2 incurred?

3 A. Staff argues that because SSVEC did not have a budget and did not (in Staff's
4 opinion) provide careful analysis of costs, SSVEC is entitled only to the recovery
5 of the initial estimate of rate case expense.
6

7 Q. Is the staff's argument reasonable?

8 A. No. The lack of a budget and analysis of the costs is not the reason for the increase
9 in the rate case expenses. SSVEC's rate case expense adjustment included in the
10 filing represented the estimate of rate case expense up to the time of the filing.
11 SSVEC filed the application in this rate case in June 2008. Since that time, the
12 Cooperative has responded to 17 sets of formal data requests that comprised 274
13 questions (not counting subparts), and provided in excess of 15,000 pages of
14 information in both hard copy and electronic form. SSVEC staff, consultants and
15 attorneys have spent many hours preparing responses to both formal and informal
16 requests for information from Staff. In addition, SSVEC' staff, consultants and
17 attorneys have spent many hours preparing Rebuttal (and now Rejoinder)
18 testimony and have met with Staff regarding DSM and other issues. Finally,
19 because Staff determined in December of 2008 to hire a rate case consultant to
20 provide testimony relating to SSVEC's power procurement activities, SSVEC had
21 no choice but to engage an additional consultant to assist in data request responses
22 and to provide Rebuttal analysis and testimony.
23

24 In response to Staff's data request CSB 16.1, SSVEC provided, and Staff reviewed,
25 actual invoices of legal and consulting expenses from February 2008 through
26 February 2009 totaling \$331,527 which the Cooperative has already paid. In

1 March 2009, SSVEC was invoiced an additional \$23,893 and \$8,718 in legal and
2 consulting expenses, respectively. And, through April 15, 2009, SSVEC has
3 incurred additional legal expenses of \$20,681. Therefore, as of April 15, 2009,
4 SSVEC has incurred known and verifiable rate case expenses totaling at least
5 \$384,819. These amounts do not include the additional legal and consulting rate
6 case expenses that SSVEC will be required to incur related to completion of its
7 Rejoinder Testimony and witness summaries, hearing preparation, the rate case
8 hearing itself, and closing briefs. Therefore, SSVEC will incur rate case expenses
9 well in excess of the \$397,608 that has been requested.

10
11 As an electric cooperative, SSVEC does not have a rate department of employees
12 to deal with all of the filings and issues in a rate case. Cooperatives typically do
13 not have frequent rate cases, therefore maintaining the in-house resources to do rate
14 cases is not prudent. Instead, SSVEC and other cooperatives rely on outside
15 consultants and attorneys to provide the necessary expertise. SSVEC has not had a
16 rate case in 17 years. There are many issues that have been raised in this case
17 which have required more effort by all parties involved. SSVEC has no control
18 over the level of involvement and discovery pursued by Staff in this proceeding.
19 SSVEC is required to respond to Staff requests for information. Staff's assertion
20 that SSVEC has been guilty of poor planning and lacking in its control of rate case
21 costs would appear to be misplaced.

22
23 Additional evidence is provided showing that the Commission has allowed
24 comparable levels of rate case expense for utilities of even smaller size than
25 SSVEC. Attached as Rejoinder Exhibit DH-1.0 is a list of the rate case expense
26 approved by the Commission in 10 other proceedings over the last five (5) years.

1 Given the level of effort required to comply with Commission filing requirements
2 and Staff discovery, it is not appropriate to deny the recovery of the actual and
3 reasonable expected rate case expenses incurred. A denial of this request will
4 result in a further reduction in SSVEC's available margin as the expenses must be
5 paid. Accordingly, SSVEC continues to request that the revenue requirement be
6 increased by an additional \$59,522 to \$79,522, amortized over five (5) years, so
7 that the Cooperative has the opportunity to recover most (not all) of the rate case
8 expenses that it will incur to complete this rate case
9

10 **Q. Does SSVEC agree that Staff's revised revenue requirement and resulting**
11 **margin will allow the Cooperative's equity level to grow to 30 percent by**
12 **2016?**

13 **A.** No. Staff's revised proposed revenue requirement does not provide sufficient
14 margins to increase SSVEC's equity to 30 percent by 2016. Staff witness Brown's
15 revised recommendations result in a proposed net margin of \$8,926,940, which is
16 \$322,715 greater than the Staff's previous recommendation. Staff contends that
17 this increase in margin is sufficient to provide for an increase in equity. Ms.
18 Brown provides a Surrebuttal Schedule CSB-23 which is an analysis showing the
19 projected equity based on her recommendation. Staff's analysis is not correct.
20 Staff contends that the cooperative can use \$3.0 million from increased margins to
21 reduce the required long-term debt. The reduction in required debt produces the
22 increase in the equity ratio.
23

24 The problem with the analysis is that the estimated long-term debt shown on
25 Rebuttal Exhibit DH-9, which Staff uses as a starting point, already reflects an
26 annual reduction in long-term debt equal to the full amount of the increase in

1 margin. The projected increase in capitalization for 2009-2016 was held constant
2 at \$27,764,799. The additional margins produced by the rate change are added to
3 the equity and result in a corresponding reduction to the long-term debt. The long-
4 term debt projections shown on Rebuttal Exhibit DH-9 represent the *minimum*
5 projected long-term debt balance that could be achieved based on Staff's initial
6 revenue requirement recommendation. The long-term debt projections shown on
7 Rebuttal Exhibit DH-9 are a best case scenario. Staff's reduction of this long-term
8 debt projection by an additional \$3.0 million has no basis. The full amount of the
9 increase in margins has already been recognized in the reduction of the long-term
10 debt increase. What Staff's analysis shows is that an *additional* \$3.0 million in
11 margins would be needed in order to build equity to 30 percent by 2016.

12
13 Staff has also reduced the long-term debt projection by 10 percent because "the
14 nation is in recession and may take several years to recover" and "New home
15 construction is down and is not expected at the same rate." Staff has provided no
16 evidence to support the correlation between a slowdown in the economy and a
17 reduction in plant additions and required loan funds by SSVEC. The assumption
18 that staff makes is that SSVEC's plant growth and required loan funds are
19 dependent upon the condition of the economy. This is not correct. SSVEC is an
20 aging system which has and will continue to require substantial infrastructure
21 replacements and upgrades to provide the level of service expected and required.
22 The following are examples of the types of on going construction:

- 23 • SSVEC has over 75,000 wood poles, 12,000 of which are over 30 years
24 old. On a 45 year cycle, the cooperative needs to replace 1,600 poles per
25 year. Staff witness Prem Bahl confirms the need for the pole replacement
26 program in his testimony.

- 1 • SSVEC has 260-270 miles of 69 kV line that is over 40 years old which
- 2 needs to be upgraded. Staff witness Prem Bahl confirms the need for
- 3 improvements to the 69 kV system in his testimony.
- 4 • SSVEC has a significant amount of distribution line that needs to be
- 5 upgraded due to degraded wire.
- 6 • In order to maintain the Commission's mandated "continuity of service",
- 7 SSVEC will be required to upgrade its sub-transmission system and also
- 8 pay for Southwest Transmission Cooperative's upgrades.
- 9 • SSVEC's substations need to be upgraded for better communications,
- 10 better control and replacement of outdated/worn out equipment.
- 11 • The projected cost for the Sonoita project has increased to \$13 million.

12

13 SSVEC has a significant amount of system improvement work to be accomplished

14 that has nothing to do with the condition of the economy. SSVEC does not

15 anticipate a reduction in the level of plant additions or corresponding loan funds

16 required to finance those additions as a result of any slowdown in the economy.

17 There is certainly no evidence to support Staff's assumption that the level of long-

18 term debt required by SSVEC will drop by 10% as a result of the economy.

19

20 It should also be noted that although the economy has slowed significantly in

21 certain areas of the country and in certain areas in Arizona, the SSVEC service area

22 has not been impacted as much as other areas. This is due to the fact the primary

23 driver of the economy in SSVEC's territory is Fort Huachuca which has actually

24 grown by a small amount especially in the area of civil servants and contractors. In

25 addition, the base has demolished 600 older homes and will be replacing them with

26

1 approximately half that number of new homes. As the economy rebounds there will
2 not be as many empty homes to fill and local builders will be building sooner.

3
4 Rejoinder Exhibit DH-2 is a revision of the previously submitted Rebuttal Exhibit
5 DH-9. Rejoinder Exhibit DH-2 shows the projected increase in equity using the
6 Staff's revised margin amount. The exhibit shows that the additional increase in
7 margins of \$322,715 provides only a slight improvement in the cooperative's
8 equity position. Again, it should be noted that the projected long-term debt has
9 been reduced by the total margin amount.

10
11 Rejoinder Exhibit DH-2 also shows the increase in equity under SSVEC's proposed
12 revenue requirement as presented in my rebuttal testimony. The increase in
13 margins allows the cooperative to increase equity to 30 percent by 2016 based on
14 the projections of long-term debt in the analysis.

15
16 Rejoinder Exhibit DH-3 provides a summary of the projected long-term debt using
17 information from the most recently completed financial forecast prepared by
18 SSVEC. As shown on this schedule, SSVEC anticipates that the actual level of
19 long-term debt required will be greater than the minimum amount reflected on
20 Rejoinder Exhibit DH-2. This is a result of the projected loan funds required to
21 finance plant additions.

22
23 Rejoinder Exhibit DH-3 also includes a sensitivity analysis assuming that the
24 projected new loan funds required are reduced by 20 percent. SSVEC has no
25 expectation or reason to believe that the level of loan funds required will be
26 reduced. This sensitivity analysis is included to show that even if projected

1 required loan funds are reduced by 20 percent, the long-term debt level is still
2 higher than the projection in Rejoinder Exhibit DH-2. The higher levels of long-
3 term debt will make it more difficult for SSVEC to achieve the desired equity
4 goals.

5
6 SSVEC continues to support the Cooperative's proposed revenue requirement of
7 \$102,688,240 as stated in my rebuttal testimony which produces a net margin of
8 \$10,267,812. This is the minimum level of margin needed to provide SSVEC the
9 opportunity to improve its equity to a 30 percent level.

10
11 **Q. Does SSVEC agree with the Staff's recommendations regarding the fuel**
12 **adjustor mechanism?**

13 **A.** Not entirely. SSVEC believes the thresholds recommended by Staff requiring
14 SSVEC to change the WPCA factor are not ideal but SSVEC believes are
15 workable. However, the Staff's continued recommendation to require SSVEC file
16 for approval of every upward change in the WPCA factor is not acceptable.

17
18 Staff's testimony regarding the volatility of purchased power costs and the fact that
19 these costs are in large part outside of SSVEC's control are the fundamental
20 reasons for which the fuel adjustor mechanism was established in the first place.
21 The cost of wholesale power represents roughly 65 percent of the total cost of
22 providing service for SSVEC. The Cooperative must be able to recover changes in
23 power cost in a timely manner in order to avoid potential financial problems. The
24 purpose of the WPCA is to allow a timely recovery of these costs without having to
25 come back to the commission every time for approval.

26 ...

1 SSVEC understands the Staff's concern regarding increases in the WPCA which
2 would cause a very high customer increase or "rate shock". SSVEC has proposed
3 a reasonable compromise to address this concern. Staff argues that because the
4 future costs of power are not known, then the impact on customer's bills is unclear.
5 This is not true. Under SSVEC's compromise proposal, the maximum increase
6 that could be implemented without Commission approval is 10 percent. That is
7 definite and clear. It does not matter whether the future power costs are known, the
8 maximum impact on customer's bill without Commission approval is known. Any
9 additional amount would be subject to the Commission's authority.

10
11 Staff has provided no justification why it is necessary for SSVEC to file for
12 Commission approval of small increases in the WPCA factor. Staff has expressed
13 concern about preventing "rate shock". SSVEC's proposed compromise addresses
14 this issue. Requiring the cooperative to seek approval of every upward change in
15 the WPCA, regardless of the magnitude defeats the purpose of the adjustor
16 mechanism, will create significant delay in the recovery of costs and will add
17 additional expense for filings with the commission. Requiring the cooperative to
18 seek approval for increases in the WPCA factor which result in an increase of more
19 than 10 percent to the customer is reasonable and ensures that there is no
20 significant impact on customers without Commission approval.

21
22 SSVEC also believes that there must be some provision that requires the
23 Commission to act on such filings within a specified time frame. Given the
24 magnitude of the wholesale power cost and the potential impact of a less than
25 timely recovery, a 60-day turn-around is not an unreasonable expectation. Staff
26 suggests that the Cooperative could file six (6) months in advance to avoid a lag in

1 recovery. Staff also testifies that purchased power costs are volatile and hard to
2 predict. SSVEC is dependent upon AEPCO for the majority of its purchases and
3 market prices for the remainder. SSVEC is not always able to predict changes in
4 power cost into the future. That is why the WPCA factor is so important in the
5 recovery of these costs. Unlike an investor-owned utility that may be able to
6 predict fuel costs well into the future, SSVEC does not have that same ability. It is
7 essential that SSVEC have the ability to recover sudden increases in fuel costs
8 without a significant delay at the Commission.

9 SSVEC has provided a reasonable compromise to address Staff's concern
10 regarding the WPCA factor. SSVEC recommends that its proposed compromise be
11 adopted.

12
13 **Q. Does SSVEC agree with Staff's recommendation regarding the level of**
14 **customer charges?**

15 **A.** No. Staff's recommended customer charges do not increase the customer charge
16 component sufficiently. Mr. Musgrove sites three principles for Staff's
17 recommended customer charges.

18
19 The first principle of gradualism would be valid if the cooperative routinely revised
20 its rates. That has not been the case. SSVEC's last rate change was 17 years ago.
21 This rate application is the first opportunity in 17 years to make these changes.
22 Also, SSVEC provided evidence showing that the actual customer related cost is
23 significantly higher than the existing customer charge. For Residential, a customer
24 charge of over \$23.00 per month is justified based on the cost of service. Staff's
25 proposed increase in the Residential customer charge is \$0.75 per month. Based on
26

1 the principle of gradualism, over 20 rate changes would be required to approach the
2 customer charge that is justified today.

3
4 The new PURPA standard (17) included in the Energy Independence and Securities
5 Act states:

6
7 (17) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY
8 EFFICIENCY INVESTMENTS –

9 (A) IN GENERAL – The rates allowed to be charged by any electric utility
10 shall

11 (i) align utility incentives with the delivery of cost-effective energy
12 efficiency; and

13 (ii) promote energy efficiency investments.

14 (B) POLICY OPTIONS. – In complying with subparagraph (A) each State
15 authority and each non regulated utility shall consider –

16 (i) removing the throughput incentive and other regulatory and
17 management disincentives to energy efficiency; (emphasis added.)

18
19 The increases in customer charges recommended by SSVEC are appropriate not
20 only because of the cost justification but also because it is a necessary de-coupling
21 of the cost recovery away from a dependence on energy sales. As the fixed
22 customer charges are increased and less of the utility's costs and margins are
23 recovered through the energy charge, there will be less of a negative impact on the
24 cooperative as a result of reduced energy sales resulting from energy efficiency and
25 conservation programs. A more significant change in the customer charges than
26

1 recommended by Staff is needed to accomplish the objectives set forth in the
2 PURPA standards.

3
4 The second principle Mr. Musgrove applies is based on a comparison of the Staff's
5 proposed rate increase with SSVEC's originally proposed increase. Mr. Musgrove
6 references the originally proposed Staff increase of \$6.4 million. Staff's revised
7 proposed increase as reflected in the surrebuttal of Crystal Brown is \$7,595,316.
8 Based on this principle, the customer charges should be revised upward to reflect
9 any upward change in the revenue requirement.

10
11 The third principle is essentially one of customer impact. Mr. Musgrove indicates
12 that a residential customer would face an increase of 67 percent in the customer
13 charge component of the rate under the SSVEC proposal. This is misleading. The
14 67 percent increase referred to is \$5.00 per month. Only a minimum bill customer
15 with no kWh consumption would experience a \$5.00/month increase equal to a 67
16 percent increase. Rebuttal Exhibit DH-14 shows that under the SSVEC proposal,
17 the majority of Residential customers would experience an increase in the 9%-10%
18 range. Minimum usage customers should not be confused with low-income
19 customers. There is no evidence to suggest that low usage means low-income;
20 quite the contrary. Typically, lower-income members have the least energy
21 efficient homes that use more energy. The majority of minimum bill customers are
22 services of convenience; additional services for secondary purposes, seasonal
23 homes or unoccupied residences, etc. Increasing the customer charge on these
24 minimum use customers provides a more fair recovery of costs and reduces the
25 impact on consumers that are consuming energy.

1 SSVEC believes that its recommended increases in customer charges are
2 appropriate and in the best interest of members and for the promotion of energy
3 efficiency and conservation efforts.
4

5 **Q. Does SSVEC accept Staff's recommendation with regard to the Residential**
6 **Time of Use rate?**

7 A. Yes. SSVEC will accept Mr. Musgrove's revised rate design in his Surrebuttal
8 Testimony.
9

10 **Q. Does SSVEC agree with Staff' recommendation with regard to the Service**
11 **Fees recommended by Mr. Musgrove?**

12
13 A. SSVEC believes that it is appropriate to increase the level of service charges more
14 than recommended by Mr. Musgrove. Mr. Musgrove's arguments do not recognize
15 that the cost of providing the services in question is significantly higher than the
16 proposed charges. Rebuttal Exhibit DH-21 provided in my rebuttal testimony
17 provides the cost justification for the higher proposed charges. Mr. Musgrove's
18 approach recognizes only the increased costs of labor since SSVEC's last rate case
19 when the service charges were established. To the extent that the service charges
20 were not recovering costs when established, Mr. Musgrove's recommendations do
21 nothing to change that. Staff's recommended changes maintain the status quo. It is
22 SSVEC's understanding from discussions and rulings related to line extension and
23 other issues, that the Commission has expressed the intent that to the extent
24 practicable, the costs of providing service should be borne by those that cause the
25 costs to be incurred. The establishment of appropriate service fees is a clear way to
26 accomplish this objective. A larger increase in the service fees is necessary to

1 move the charges closer to the actual cost of providing the service. Based on the
2 evidence provided showing that the cost of providing these services is significantly
3 higher than the proposed charges, SSVEC is proposing a compromise to the Staff's
4 proposed service fee charges. SSVEC's revised proposed charges are shown on
5 Rejoinder Exhibit DH – 6.0. The proposed charges for Existing Member Connect,
6 New Connects, Non-Pay Trip Fee – Regular Hours and Service Charge Regular
7 Hours have been set at \$50.00 (instead of Staff's recommended \$40). All other
8 service fee charges that Staff recommended have been adopted.

9
10 **Q. Have you provided a revised schedules showing SSVEC's proposed rate**
11 **change by rate class and the revised proposed rates?**

12 A. Yes. Rejoinder Exhibit DH-4.0 shows SSVEC's revised proposed rate change by
13 rate class and Rejoinder Exhibit DH-5.0 shows the revised proposed proof of
14 revenue. The revised proposed rates reflect the compromise service fee
15 recommendation and Staff's Residential TOU recommendation. SSVEC's revised
16 proposed rates are based on the revenue requirement as proposed by SSVEC in its
17 rebuttal testimony.

18
19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.
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IV. EXHIBITS

Rejoinder

Exhibit DH-1.0

Commission Approved Rate Case Expenses

Utility	Docket No.	Decision No.	Date of Decision	Requested Rev.	Approx No. of Customers	Approved Rate Case Expenses	Amortization Period
UNS Electric	E-04204A-06-0783	70360	May 27, 2008	\$171,631,367	93,000	\$300,000	3
Arizona-American Water	W-01303A-07-0209	70351	May 16, 2008	\$9,711,596	23,000	\$94,264	4
UNS Gas	G-04204A-06-0463	70011	November 27, 2007	\$178,393,000	140,000	\$300,000	3
Far West Water and Sewer	WS-03478A-05-0801	69335	February 20, 2007	\$1,900,786	5,500	\$160,000	3
Black Mountain Sewer	SW-02361A-05-0657	69164	December 5, 2006	\$1,375,037	1,957	\$150,000	4
Arizona Water Company	W-01445A-04-0650	68302	November 14, 2005	\$12,140,321	20,266	\$250,000	3
Chaparral City Water	W-02113A-04-0616	68176	September 30, 2005	\$7,795,935	12,000	\$285,000	4
Pine Water Company	W-03512A-03-0279	67166	August 10, 2004	\$922,984	2,000	\$200,000	4
Arizona-American Water	WS-01303A-02-0867	67093	June 30, 2004	\$10,331,873	15,000	\$418,941	3
Arizona Water Company	W-01445A-02-0619	66849	March 19, 2004	\$18,909,627	29,000	\$250,000	3

SSVEC Rate Case

Requested Revenue Requirement	\$103,495,149
Number of Customers	50,000
Requested Rate Case Expenses	\$397,606
Amortization Period	5 Years
Staff Recommended Rate Case Expenses	\$100,000

Rejoinder

Exhibit DH-2

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE
DOCKET NO. E-01575A-J8-0328
TEST YEAR ENDING DECEMBER 31, 2007

INCREASE IN EQUITY

	Revised Staff Proposed	Company Rebuttal Proposed
Net Margins (Amount added to Equity)	8,926,940	10,267,812
Total Increase in Capitalization	27,764,799	27,764,799
Equity Added as % of Assets Added	32.15%	36.98%

*Staff Proposed from Schedule CSB-8 in Crystal Brown's testimony

	STAFF PROPOSED						
	2008	2009	2010	2011	2012	2013	2016
Long-Term Debt	\$ 125,311,087	\$ 150,100,239	\$ 168,938,098	\$ 187,775,957	\$ 206,613,816	\$ 225,451,675	\$ 281,965,252
Equity	42,836,486	45,812,133	54,739,073	63,666,013	72,592,953	81,519,893	108,300,713
Total Capitalization	\$ 168,147,573	\$ 195,912,372	\$ 223,677,171	\$ 251,441,970	\$ 279,206,769	\$ 306,971,568	\$ 390,265,965
Increase in LT Debt	27,521,073	24,789,152	18,837,859	18,837,859	18,837,859	18,837,859	18,837,859
Increase in Equity		2,975,647	8,926,940	8,926,940	8,926,940	8,926,940	8,926,940
Increase in Capitalization		27,764,799	27,764,799	27,764,799	27,764,799	27,764,799	27,764,799
Percent Capitalization							
Long-Term Debt	74.52%	76.62%	75.53%	74.68%	74.00%	73.44%	72.25%
Equity	25.48%	23.38%	24.47%	25.32%	26.00%	26.56%	27.75%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

	SSVEC REBUTTAL						
	2008	2009	2010	2011	2012	2013	2016
Long-Term Debt	\$ 125,311,087	\$ 149,653,282	\$ 167,150,269	\$ 184,647,256	\$ 202,144,243	\$ 219,641,231	\$ 272,132,192
Equity	42,836,486	46,259,090	56,526,902	66,794,714	77,062,526	87,330,337	118,133,773
Total Capitalization	\$ 168,147,573	\$ 195,912,372	\$ 223,677,171	\$ 251,441,970	\$ 279,206,769	\$ 306,971,568	\$ 390,265,965
Increase in LT Debt	27,521,073	24,342,195	17,496,987	17,496,987	17,496,987	17,496,987	17,496,987
Increase in Equity		3,422,604	10,267,812	10,267,812	10,267,812	10,267,812	10,267,812
Increase in Capitalization		27,764,799	27,764,799	27,764,799	27,764,799	27,764,799	27,764,799
Percent Capitalization							
Long-Term Debt	74.52%	76.39%	74.73%	73.44%	72.40%	71.55%	69.73%
Equity	25.48%	23.61%	25.27%	26.56%	27.60%	28.45%	30.27%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Rejoinder

Exhibit DH-3

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE
DOCKET NO. E-01575A-08-0328

CURRENT PROJECTIONS OF LONG-TERM DEBT

	2009	2010	2011	2012	2013	2014	2015	2016
<u>Current Financial Forecast Projections</u>								
Debt at Beginning of Year	128,356,970	158,092,577	184,298,481	215,530,488	242,159,837	269,201,457	296,584,539	324,373,029
New Loan Funds Required For Projected Plant Additions	35,026,067	31,900,000	37,452,000	33,425,560	34,428,327	35,461,177	36,525,012	34,560,762
Less: Projected Principal Pmt	5,290,460	5,694,096	6,219,993	6,796,211	7,386,707	8,078,095	8,736,522	9,518,202
Debt at End of Year	158,092,577	184,298,481	215,530,488	242,159,837	269,201,457	296,584,539	324,373,029	349,415,589
<u>Current Financial Forecast with 20% Reduction in New Loan Funds Required</u>								
Debt at Beginning of Year	128,356,970	151,087,364	170,993,995	194,921,508	215,166,896	235,742,100	256,590,473	277,763,173
New Loan Funds Required For Projected Plant Additions	28,020,854	25,520,000	29,961,600	26,740,448	27,542,662	28,368,942	29,220,010	27,648,610
Less: Projected Principal Pmt	5,290,460	5,613,369	6,034,086	6,495,061	6,967,458	7,520,568	8,047,310	8,672,654
Debt at End of Year	151,087,364	170,993,995	194,921,508	215,166,896	235,742,100	256,590,473	277,763,173	296,739,129

*New loan funds required includes is net of cash general funds invested in plant.

Rejoinder

Exhibit DH-4.0

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

SUMMARY OF PROPOSED CHANGES BY RATE CLASS - REVISED SSVEC PROPOSED RATES

	Adjusted Consumers	Adjusted kWh Sold	Adjusted Revenue	Proposed Revenue	Change \$	Change %
Residential	40,440	353,167,734	42,655,886	47,457,291	4,801,405	11.26%
Residential - TOU	17	210,002	23,487	29,383	5,896	25.10%
Residential	40,457	353,377,736	42,679,373	47,486,674	4,807,302	11.26%
GS - Non-Demand	6,280	36,407,984	4,586,541	5,618,262	1,031,721	22.49%
GS - Demand	2,074	70,960,271	8,597,707	10,308,910	1,711,203	19.90%
GS - TOU	41	836,583	93,290	106,411	13,121	14.07%
General Service	8,396	108,204,838	13,277,537	16,033,582	2,756,045	20.76%
Irrigation - Seasonal	253	37,779,578	4,060,272	4,440,506	380,234	9.36%
Irrigation - Load Factor	50	16,244,584	1,469,505	1,695,230	225,725	15.36%
Irrigation - Control Daily	73	10,581,835	954,985	955,579	595	0.06%
Irrigation - Control Weekly	220	32,780,060	3,106,113	3,269,889	163,777	5.27%
Irrigation - Control Daily/Large	122	35,167,187	2,980,261	3,114,298	134,037	4.50%
Irrigation - Test	1	21,603	2,169	2,530	360	16.61%
Irrigation	718	132,574,847	12,573,304	13,478,033	904,728	7.20%
Large Power	324	124,127,579	12,434,020	12,992,955	558,935	4.50%
Large Power - Seasonal	11	1,073,769	144,612	167,297	22,685	15.69%
Large Power - Industrial	8	25,031,391	2,232,907	2,354,860	121,953	5.46%
LP - TOU	38	8,528,086	661,177	666,697	5,521	0.83%
Large Power	381	158,760,825	15,472,716	16,181,810	709,094	4.58%
Contract 1	1	23,475,600	1,703,436	1,707,166	3,730	0.22%
Contract 2	1	14,414,400	1,233,950	1,244,808	10,858	0.88%
RV Parks	12	4,675,120	456,868	470,219	13,350	2.92%
Street Lights	51	2,355,546	468,345	548,067	79,722	17.02%
Security Lights	1,453	1,634,628	287,082	313,303	26,221	9.13%
Lighting	1,504	3,950,174	755,427	861,370	105,943	14.02%
Unmetered	7	386,616	68,292	71,384	3,091	4.53%
Pre-Meter Construction	12	0	1,587	1,656	69	4.35%
Total	51,488	799,860,156	88,222,491	97,536,702	9,314,211	10.56%
Other Revenue			4,299,478	4,847,518	548,040	12.75%
Total			92,521,969	102,384,220	9,862,251	10.66%
Target			92,825,281	102,688,240	9,862,959	
Difference			-303,312	-304,020	-708	

Rejoinder

Exhibit DH-5.0

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
1. RESIDENTIAL							
Base Charge (12 months sum)	485,280	0.00	12.50	12.50	0	6,066,000	6,066,000
First 750 kWh	259,719,236	0.073000	0.044200	0.117200	18,959,504	11,479,590	30,439,094
Over 750 kWh	93,448,498	0.073000	0.044200	0.117200	6,821,740	4,130,424	10,952,164
Subtotal	353,167,734				25,781,245	21,676,014	47,457,258
WPCA					33	0	33
Total Revenue					25,781,277	21,676,014	47,457,291
Time of Use							
Base Charge (12 months sum)	208	0.00	16.50	16.50	0	3,432	3,432
On-Peak kWh	78,470	0.141700	0.024020	0.165720	11,119	1,885	13,004
Off-Peak kWh	131,562	0.035000	0.063410	0.098410	4,605	8,342	12,947
Subtotal	210,032				15,724	13,659	29,383
WPCA					0	0	0
Total Revenue					15,724	13,659	29,383
Total Base Revenue	353,377,766				25,796,968	21,689,673	47,486,641
Total WPCA Revenue					33	0	33
Total Revenue					25,797,001	21,689,673	47,486,674

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
2. GENERAL SERVICE							
Non-Demand							
Base Charge (12 months sum)	75,365	0.00	17.50	17.50	0	1,318,888	1,318,888
kWh	36,407,984	0.080000	0.037100	0.117100	2,912,639	1,350,736	4,263,375
Additional Minimum					35,996	0	35,996
Subtotal					2,948,635	2,669,624	5,618,258
WPCA					3	0	3
Total Revenue					2,948,638	2,669,624	5,618,262
Demand							
Base Charge (12 months sum)	24,887	0.00	17.50	17.50	0	435,523	435,523
First 10 kW	194,670	0.00	0.00	0.00	0	0	0
Over 10 kW	170,742	6.50	2.50	9.00	1,109,826	426,856	1,536,682
kWh	70,960,271	0.064500	0.052600	0.117100	4,576,937	3,732,510	8,309,448
Additional Minimum					0	27,251	27,251
Subtotal					5,686,763	4,622,140	10,308,903
WPCA					7	0	7
Total Revenue					5,686,770	4,622,140	10,308,910
Time of Use							
Base Charge (12 months sum)	494	0.00	21.50	21.50	0	10,621	10,621
On-Peak kW	1,189	19.00	0.00	19.00	22,589	0	22,589
kWh	836,583	0.035000	0.052500	0.087500	29,280	43,921	73,201
Subtotal					51,869	54,542	106,411
WPCA					0	0	0
Total Revenue					51,869	54,542	106,411
Total Base Revenue	108,204,838				8,687,267	7,346,305	16,033,572
Total WPCA Revenue					10	0	10
Total Revenue					8,687,277	7,346,305	16,033,582

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
3. IRRIGATION							
Base Charge (12 months sum)	3,034	0.00	25.00	25.00	0	75,850	75,850
KW (April-Oct)	122,093	6.00	2.00	8.00	732,558	244,186	976,744
KWh (April-Oct)	29,090,785	0.050000	0.034500	0.084500	1,454,539	1,003,632	2,458,171
KWh (Nov-March)							
First 300	7,879,053	0.075300	0.034500	0.109800	593,293	271,827	865,120
Over 300	809,740	0.045300	0.034500	0.079800	36,681	27,936	64,617
Subtotal	37,779,578				2,817,071	1,623,431	4,440,502
WPCA Revenue					3	0	3
Total Revenue					2,817,074	1,623,431	4,440,506
Load Factor							
Base Charge (12 months sum)	320	0.00	30.00	30.00	0	9,600	9,600
KWh	16,244,584	0.074200	0.020000	0.094200	1,205,348	324,892	1,530,240
Additional Minimum					0	155,389	155,389
Subtotal					1,205,348	489,881	1,695,229
WPCA Revenue					1	0	1
Total Revenue					1,205,350	489,881	1,695,230
Daily Control							
Base Charge (12 months sum)	873	0.00	25.00	25.00	0	21,825	21,825
Billing kW	38,710	0.00	0.00	0.00	0	0	0
First 150	2,006,488	0.075300	0.034500	0.109800	151,089	69,224	220,312
Next 150	587,056	0.075300	0.034500	0.109800	44,205	20,253	64,459
Over 300	3,472,041	0.045300	0.034500	0.079800	157,283	119,785	277,069
Discounted Usage							
First 150	2,258,126	0.056475	0.025875	0.082350	127,528	58,429	185,957
Next 150	2,258,126	0.056475	0.025875	0.082350	127,528	58,429	185,957
Subtotal	10,581,837				607,633	347,946	955,578
WPCA Revenue					1	0	1
Total Revenue					607,634	347,946	955,579

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
3. IRRIGATION (CONTINUED)							
Weekly Control							
Base Charge (12 months sum)	2,637	0.00	25.00	25.00	0	65,925	65,925
Billing kW	119,961	0.00	0.00	0.00	0	0	0
First 150	7,050,188	0.075300	0.034500	0.109800	530,879	243,231	774,111
Next 150	1,989,408	0.075300	0.034500	0.109800	149,802	68,635	218,437
Over 300	10,810,048	0.045300	0.034500	0.079800	489,695	372,947	862,642
Discounted Usage							
5.00%							
First 150	6,465,208	0.071535	0.032775	0.104310	462,489	211,897	674,386
Next 150	6,465,208	0.071535	0.032775	0.104310	462,489	211,897	674,386
Subtotal	32,780,060				2,095,354	1,174,532	3,269,886
WPCA Revenue					3	0	3
Total Revenue					2,095,357	1,174,532	3,269,889
Daily Control/Large							
Base Charge (12 months sum)	1,462	0.00	25.00	25.00	0	36,550	36,550
kW	0	19.00	0.00	19.00	0	0	0
kWh	35,167,187	0.040000	0.044600	0.084600	1,406,687	1,568,457	2,975,144
Additional Minimum					0	102,601	102,601
Subtotal					1,406,687	1,707,608	3,114,295
WPCA Revenue					3	0	3
Total Revenue					1,406,691	1,707,608	3,114,298
Test							
Base Charge (12 months sum)	1	0.00	0.00	0.00	0	0	0
kWh	21,603	0.080000	0.037100	0.117100	1,728	801	2,530
Subtotal					1,728	801	2,530
WPCA					0	0	0
Total					1,728	801	2,530
Total Base Revenue	132,553,246				8,133,822	5,344,199	13,478,020
Total WPCA Revenue					12	0	12
Total Revenue					8,133,834	5,344,199	13,478,033
4. LARGE POWER							
Base Charge (12 months sum)	3,887	0.00	75.00	75.00	0	291,525	291,525
kW	447,436	9.80	0.00	9.80	4,384,871	0	4,384,871
kWh	124,127,579	0.036000	0.031000	0.067000	4,468,593	3,847,955	8,316,548
Subtotal					8,853,464	4,139,480	12,992,944
WPCA					11	0	11
Total					8,853,475	4,139,480	12,992,955

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
5. LARGE POWER - SEASONAL							
<u>Customer Owned Transformer</u>							
Base Charge (12 months sum)	44	0.00	75.00	75.00	0	3,300	3,300
kW	8,364.98	9.80	0.00	9.80	81,977	0	81,977
kWh	980,280	0.036000	0.031000	0.067000	35,290	30,389	65,679
Subtotal					117,267	33,689	150,956
<u>Cooperative Owned Transformer</u>							
Base Charge (12 months sum)	8	0.00	75.00	75.00	0	600	600
kW	877.60	9.80	1.00	10.80	8,600	878	9,478
kWh	93,489	0.036000	0.031000	0.067000	3,366	2,898	6,264
Subtotal					11,966	4,376	16,342
WPCA					0	0	0
Total	1,073,769				129,233	38,064	167,297
6. LARGE POWER - INDUSTRIAL							
<u>Customer Owned Transformer</u>							
Base Charge (12 months sum)	12	0.00	250.00	250.00	0	3,000	3,000
Billing kW	6,003	0.50	6.00	6.50	3,001	36,015	39,016
First 400	2,229,358	0.071000	0.004800	0.075800	158,284	10,701	168,985
Next 400	0	0.035000	0.005800	0.040800	0	0	0
Subtotal	2,229,358				161,286	49,716	211,002
WPCA					2	0	2
Total					161,288	49,716	211,004
<u>Cooperative Owned Transformer</u>							
Base Charge (12 months sum)	67	0.00	250.00	250.00	0	16,750	16,750
Billing kW	61,242	0.50	7.00	7.50	30,621	428,696	459,317
First 400	21,070,456	0.071000	0.004800	0.075800	1,496,002	101,138	1,597,141
Next 400	1,731,577	0.035000	0.005800	0.040800	60,605	10,043	70,648
Subtotal	22,802,033				1,587,229	556,627	2,143,856
WPCA					0	0	0
Total					1,587,229	556,627	2,143,856
Total Base Revenue					1,748,514	606,343	2,354,858
Total WPCA Revenue					2	0	2
Total Revenue	25,031,391				1,748,517	606,343	2,354,860

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
7. LARGE POWER - TIME OF USE							
Base Charge (12 months sum)	458	0.00	100.00	100.00	0	45,800	45,800
On-Peak kW	2,007	19.00	0.00	19.00	38,128	0	38,128
Off-Peak kW	49,795	0.00	4.75	4.75	0	236,528	236,528
kWh	8,528,086	0.035000	0.005600	0.040600	298,483	47,757	346,240
Subtotal					336,611	330,085	666,696
WPCA					1	0	1
Total Revenue					336,612	330,085	666,697
8. CONTRACT 1							
Base Charge (12 months sum)	12	0.00	25.00	25.00	0	300	300
Billing kW	84,291	0.00	2.50	2.50	0	210,728	210,728
On-Peak kWh	16,120,800	0.057400	0.013600	0.071000	925,334	219,243	1,144,577
Off-Peak kWh	7,354,800	0.037100	0.010700	0.047800	272,863	78,696	351,559
Subtotal	23,475,600				1,198,197	508,967	1,707,164
WPCA					2	0	2
Total Revenue					1,198,199	508,967	1,707,166
9. CONTRACT 2							
Base Charge (12 months sum)	12	0.00	9,633.00	9,633.00	0	115,596	115,596
Billing kW	24,792	5.50	3.50	9.00	136,356	86,772	223,128
First 400	9,916,800	0.059100	0.010000	0.069100	586,083	99,168	685,251
Over 400	4,497,600	0.049100	0.000000	0.049100	220,832	0	220,832
Subtotal	14,414,400				943,271	301,536	1,244,807
WPCA					1	0	1
Total Revenue					943,272	301,536	1,244,808

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
10. RV PARKS							
Base Charge (12 months sum)	142	0.00	75.00	75.00	0	10,650	10,650
Billing kW	14,932	9.80	0.00	9.80	146,335	0	146,335
kWh	4,675,120	0.036000	0.031000	0.067000	168,304	144,929	313,233
Subtotal					314,639	155,579	470,218
WPCA					0	0	0
Total Revenue					314,640	155,579	470,219

11. STREET LIGHTSCooperative Investment

70 Watt HPS	25	168	1.32	10.99	12.31	222	1,847	2,069
100 Watt HPS - Single/Wood Pole	36	1,392	1.90	9.29	11.19	2,644	12,929	15,573
100 Watt HPS - Single/Steel Pole	36	1,608	1.90	14.07	15.97	3,054	22,623	25,677
100 Watt HPS - Double/Wood Pole	72	24	3.80	16.89	20.69	91	405	497
100 Watt HPS - Double/Steel Pole	72	24	3.80	19.20	23.00	91	461	552
175 Watt MV - Single/Wood Pole	63	756	3.32	9.61	12.94	2,513	7,268	9,781
175 Watt MV - Single/Steel Pole	63	780	3.32	12.36	15.69	2,593	9,644	12,236
175 Watt MV - Double/Wood Pole	126	126	6.65	16.73	23.38	838	2,108	2,945
175 Watt MV - Double/Steel Pole	126	12	6.65	18.98	25.63	80	228	308
150 Watt HPS - Single/Wood Pole	54	3,696	2.85	11.84	14.69	10,530	43,755	54,285
150 Watt HPS - Single/Steel Pole	54	2,940	2.85	14.84	17.69	8,376	43,625	52,001
150 Watt HPS - Double/Wood Pole	108	12	5.70	21.93	27.63	68	263	332
150 Watt HPS - Double/Steel Pole	108	84	5.70	24.43	30.13	479	2,052	2,531
250 Watt MV - Single/Wood Pole	90	90	4.75	11.94	16.69	427	1,075	1,502
250 Watt MV - Single/Steel Pole	90	1,260	4.75	15.00	19.75	5,983	18,902	24,885
250 Watt MV - Double/Wood Pole	180	0	9.50	21.50	31.00	0	0	0
250 Watt MV - Double/Steel Pole	180	12	9.50	24.00	33.50	114	288	402
250 Watt HPS - Single/Wood Pole	90	785	4.75	15.81	20.56	3,633	12,098	15,730
250 Watt HPS - Single/Steel Pole	90	3,012	4.75	18.56	23.31	14,302	55,915	70,217
250 Watt HPS - Double/Wood Pole	180	0	9.50	29.75	39.25	0	0	0
250 Watt HPS - Double/Steel Pole	180	108	9.50	31.75	41.25	1,026	3,429	4,455
400 Watt MV - Single/Wood Pole	144	144	7.60	15.59	23.19	1,094	2,245	3,339
400 Watt MV - Single/Steel Pole	144	144	7.60	18.34	25.94	1,094	2,641	3,735
400 Watt MV - Double/Wood Pole	288	288	15.19	28.87	44.06	4,376	8,314	12,690
400 Watt MV - Double/Steel Pole	288	12	15.19	30.93	46.13	182	371	554
Subtotal						63,627	252,113	315,740

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

11. STREET LIGHTS (Continued)	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
<u>Customer Investment</u>							
25	10	1.32	7.31	8.63	13	73	86
100 Watt HPS - Single/Wood Pole							
36	2,400	1.90	8.29	10.19	4,558	19,892	24,450
100 Watt HPS - Single/Steel Pole							
36	0	1.90	14.66	16.56	0	0	0
100 Watt HPS - Double/Wood Pole							
72	0	3.80	13.76	17.56	0	0	0
100 Watt HPS - Double/Steel Pole							
72	36	3.80	6.45	10.25	137	232	369
175 Watt MV - Single/Wood Pole							
63	1,584	3.32	8.36	11.69	5,265	13,248	18,513
175 Watt MV - Single/Steel Pole							
63	126	3.32	15.80	19.13	419	1,991	2,410
175 Watt MV - Double/Wood Pole							
126	0	6.65	13.48	20.13	0	0	0
175 Watt MV - Double/Steel Pole							
126	132	6.65	4.91	11.56	878	649	1,526
150 Watt HPS - Single/Wood Pole							
54	8,316	2.85	10.28	13.13	23,693	85,455	109,148
150 Watt HPS - Single/Steel Pole							
54	0	2.85	19.21	22.06	0	0	0
150 Watt HPS - Double/Wood Pole							
108	216	5.70	17.55	23.25	1,231	3,791	5,022
150 Watt HPS - Double/Steel Pole							
108	60	5.70	7.74	13.44	342	464	806
250 Watt MV - Single/Wood Pole							
90	1,776	4.75	10.31	15.06	8,433	18,318	26,751
250 Watt MV - Single/Steel Pole							
90	0	4.75	19.88	24.63	0	0	0
250 Watt MV - Double/Wood Pole							
180	24	9.50	17.07	26.56	228	410	638
250 Watt MV - Double/Steel Pole							
180	648	9.50	7.38	16.88	6,154	4,781	10,935
250 Watt HPS - Single/Wood Pole							
90	1,668	4.75	13.50	18.25	7,920	22,521	30,441
250 Watt HPS - Single/Steel Pole							
90	0	4.75	28.06	32.81	0	0	0
250 Watt HPS - Double/Wood Pole							
180	0	9.50	23.88	33.38	0	0	0
250 Watt HPS - Double/Steel Pole							
180	12	9.50	9.94	19.44	114	119	233
400 Watt MV - Single/Wood Pole							
144	48	7.60	13.22	20.81	365	634	999
400 Watt MV - Single/Steel Pole							
144	0	7.60	30.15	37.75	0	0	0
400 Watt MV - Double/Wood Pole							
288	0	15.19	22.87	38.06	0	0	0
400 Watt MV - Double/Steel Pole							
Subtotal					59,749	172,577	232,327
Total Base Revenue							
2,355,546				123,377			
Total WPCA Revenue							
0				0			
Total Revenue							
123,377				424,690			
0				0			
548,067				548,067			

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REVISED PROPOSED RATES

	Billing Units	Unbundled Rate:			Unbundled Revenue		
		Power Supply	SSVEC Wires	Total	Power Supply	SSVEC Wires	Total
12. SECURITY LIGHTS							
175 Watt MV	60	3.17	8.23	11.40	6,926	18,017	24,943
100 Watt HPS	60	3.17	7.75	10.92	68,580	167,991	236,571
35 Watt LPS	60	3.17	5.65	8.82	10,906	19,479	30,385
Additional Minimum					0	21,404	21,404
Subtotal	1,634,628				86,412	226,891	313,303
WPCA					0	0	0
Total					86,412	226,891	313,303
13. UNMETERED							
Base Charge (12 months sum)	2,352	0.00	16.00	16.00	0	37,632	37,632
kWh	386,616	0.074300	0.013000	0.087300	28,726	5,026	33,752
Subtotal					28,726	42,658	71,384
WPCA					0	0	0
Total					28,726	42,658	71,384
14. PRE-METER CONSTRUCTION							
Base Charge (12 months sum)	138	0.00	12.00	12.00	0	1,656	1,656
15. TOTAL REVENUE							
Total Base Revenue	799,860,188				56,380,501	41,156,127	97,536,628
Total WPCA Revenue					74	0	74
Fuel Adjustment					0	0	0
Other Revenue					0	4,847,518	4,847,518
Total Revenue					56,380,575	46,003,645	102,384,220

Rejoinder
Exhibit DH-6.0

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

OTHER REVENUE - SSVEC REVISED PROPOSED
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2007

	Units	Existing		Proposed		Change	
		Rate	Revenue	Rate	Revenue	Rate	Revenue
Return Check	1,450	15.00	21,750.00	25.00	36,250.00	10.00	14,500.00
Existing Member Connect Fee - Regular Hours	10,191	25.00	254,775.00	50.00	509,550.00	25.00	254,775.00
Connect Fee - After Hours	59	45.00	2,655.00	75.00	4,425.00	30.00	1,770.00
New Connects	1,500	0.00	0.00	50.00	75,000.00	50.00	75,000.00
Non-Pay Trip Fee - Regular Hours	7,137	25.00	178,425.00	50.00	356,850.00	25.00	178,425.00
Non-Pay Trip Fee - After Hours	666	45.00	29,970.00	75.00	49,950.00	30.00	19,980.00
Service Charge Reg Hours	68	25.00	1,700.00	50.00	3,400.00	25.00	1,700.00
Service Charge After Hours	63	45.00	2,835.00	75.00	4,725.00	30.00	1,890.00
Total			<u>492,110.00</u>		<u>1,040,150.00</u>		<u>548,040.00</u>

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE
APPLICATION OF SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, TO APPROVE RATES
DESIGNED TO DEVELOP SUCH
RETURN AND FOR RELATED
APPROVALS

DOCKET NO. E-01575A-08-0328

NOTICE OF FILING REVISIONS TO
APPLICATION

Pursuant to discussions between counsel for Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") and Commission Staff, SSVEC hereby submits the following revisions to its June 30, 2008 Application that was filed in the above-captioned matter

- Revised Rate Filing Schedules A-1.0, B-1.0 and B-2.0
- Revised Cost of Service Schedules H-1.0, H-1.1 and H-2.0
- Revised pages 7 and 22 to the Pre-Filed Direct Testimony of David Hedrick

The purpose of the revisions is to remove cash working capital from the Application which results in a small change to rate base and the resulting rate of return. The proposed increase is not affected. The above-referenced schedules and testimony pages directly replace the schedules and testimony pages contained in the original Application.

1 RESPECTFULLY SUBMITTED this 18th day of July, 2008.

2 SNELL & WILMER L.L.P.

3
4 By 

5 Bradley S. Carroll
6 Jeffrey W. Crockett
7 One Arizona Center
8 400 E. Van Buren
9 Phoenix, AZ 85004-2202
Attorneys for Sulphur Springs Valley
Electric Cooperative, Inc.

10 ORIGINAL and 13 copies filed this
11 18th day of July, 2008, with:

12 Docket Control
13 ARIZONA CORPORATION COMMISSION
14 1200 West Washington
Phoenix, Arizona 85007

15 COPIES of the foregoing hand-delivered
16 this 18th day of July, 2008, to:

17 Terry Ford, Chief of Energy and Telecom
18 William Musgrove
19 Barbara Keene
20 Crystal Brown
Prem Bahl

21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

23 Janice Alward, Chief Counsel
24 Charles H. Hains, Staff Attorney
Legal Division
25 ARIZONA CORPORATION COMMISSION
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Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

By Gina Bell

8950651.1

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— LLP —
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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

INCOME STATEMENT - REVISED 7/19/08
DECEMBER 31, 2007

	Test Year 12/31/2007 (a)	Adjustments (b)	Adjusted Test Year (c)	Rate Change (d)	Adjusted Test Year w/ Rate Change (e)
Operating Revenues					
Base Revenue	\$ 77,329,701	\$ 368,953	\$ 77,698,654	\$ 20,500,655	\$ 98,199,309
WPCA	14,767,009	-4,243,172	10,523,837	-10,523,837	0
Fuel Bank	-3,584,223	3,584,223	0		0
Other	4,400,479	-9,411	4,391,068	904,772	5,295,840
Total	\$ 92,912,966	\$ -299,407	\$ 92,613,559	\$ 10,881,590	\$ 103,495,149
Operating Expenses					
Purchased Power	\$ 58,128,432	\$ -436,845	\$ 57,691,587		\$ 57,691,587
Transmission O&M	250,287	3,698	253,985		253,985
Distribution-Operations	8,290,616	234,235	8,524,851		8,524,851
Distribution-Maintenance	2,402,560	129,944	2,532,504		2,532,504
Consumer Accounting	2,832,290	192,347	3,024,637		3,024,637
Customer Service	643,865	36,826	680,691		680,691
Sales	555,446	6,880	562,326		562,326
Administrative & General	3,952,703	273,769	4,226,472		4,226,472
Depreciation	7,192,109	382,541	7,574,650		7,574,650
Tax	1,037,819	252,939	1,290,758		1,290,758
Total	\$ 85,286,127	\$ 1,076,334	\$ 86,362,461	\$ 0	\$ 86,362,461
Return	\$ 7,626,839	\$ -1,375,741	\$ 6,251,098	\$ 10,881,590	\$ 17,132,688
Interest & Other Deductions					
Interest L-T Debt	\$ 5,800,108	\$ 1,194,141	\$ 6,994,249		\$ 6,994,249
Amortize RUS Gain	0		0		0
Interest-Other	366,551		366,551		366,551
Other Deductions	171,756		171,756		171,756
Total	\$ 6,338,415	\$ 1,194,141	\$ 7,532,556	\$ 0	\$ 7,532,556
Operating Margin	\$ 1,288,424	\$ -2,569,882	\$ -1,281,458	\$ 10,881,590	\$ 9,600,132
Non-Operating Margins					
Interest Income	\$ 141,825		\$ 141,825		\$ 141,825
Gain(Loss) Equity Investments	0		0		0
Other Margins	138,168		138,168		138,168
G&T Capital Credits	2,592,402		2,592,402		2,592,402
Other Capital Credits	518,101		518,101		518,101
Total	\$ 3,390,496	\$ 0	\$ 3,390,496	\$ 0	\$ 3,390,496
Net Margins	\$ 4,678,920	\$ -2,569,882	\$ 2,109,038	\$ 10,881,590	\$ 12,990,628
Operating TIER	1.22		0.82		2.37
Net TIER	1.81		1.30		2.86
Net TIER Excl Capital Credits	1.27		0.86		2.41
DSC	1.75		1.48		2.45
Rate of Return	4.93%		4.57%		12.51%
Rate Base	\$ 154,729,620	\$ -17,826,327	\$ 136,903,293	\$ 0	\$ 136,903,293
Principal Payments	4,269,396		4,269,396		4,269,396
Percent Change					11.75%

Note: This schedule was revised to reflect the removal of cash working capital from rate base.
Only the calculation of rate of return was affected.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

RATE BASE - REVISED 7/19/08
DECEMBER 31, 2007

	Test Year 12/31/2007 (a)	Adjustments (b)	Adjusted Test Year (c)	Rate Change (d)	Adjusted Test Year w/ Rate Change (e)
Plant in Service	\$ 212,732,380	\$ 0	\$ 212,732,380	\$	\$ 212,732,380
CWIP	17,826,327	-17,826,327	0		0
Total Utility Plant	\$ 230,558,707	\$ -17,826,327	\$ 212,732,380	\$ 0	\$ 212,732,380
Accumulated Depreciation	-72,528,240	0	-72,528,240		-72,528,240
Net Utility Plant	\$ 158,030,467	\$ -17,826,327	\$ 140,204,140	\$ 0	\$ 140,204,140
Materials & Supplies	\$ 2,157,124	\$ 0	\$ 2,157,124	\$ 0	\$ 2,157,124
Prepayments	672,820	0	672,820	0	672,820
Cash Working Capital	0	0	0	0	0
Consumer Deposits	-1,506,543	0	-1,506,543	0	-1,506,543
Consumer Advances	-4,624,248	0	-4,624,248	0	-4,624,248
Total Rate Base	\$ 154,729,620	\$ -17,826,327	\$ 136,903,293	\$ 0	\$ 136,903,293
Operating Revenues	\$ 92,912,966	\$ -299,407	\$ 92,613,559	\$ 10,881,590	\$ 103,495,149
Operating Expenses	85,286,127	1,076,334	86,362,461	0	86,362,461
Return	\$ 7,626,839	\$ -1,375,741	\$ 6,251,098	\$ 10,881,590	\$ 17,132,688
Rate of Return	4.93%		4.57%		12.51%

Note: This schedule was revised to reflect the removal of cash working capital from rate base.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CASH WORKING CAPITAL - REVISED 7/19/08
DECEMBER 31, 2007

	Test Year 12/31/2007 (a)	Adjustments (b)	Adjusted Test Year (c)	Rate Change (d)	Adjusted Test Year w/ Rate Change (e)
Transmission O&M	\$ 250,287	\$ 3,698	\$ 253,985	0 \$	253,985
Distribution-Operations	8,290,616	234,235	8,524,851	0	8,524,851
Distribution-Maintenance	2,402,560	129,944	2,532,504	0	2,532,504
Consumer Accounting	2,832,290	192,347	3,024,637	0	3,024,637
Customer Service	643,865	36,826	680,691	0	680,691
Sales	555,446	6,880	562,326	0	562,326
Administrative & General	3,952,703	273,769	4,226,472	0	4,226,472
Total	\$ 18,927,767	\$ 877,699	\$ 19,805,466	0 \$	19,805,466
0/360 Days	\$ 0	\$ 0	\$ 0	0 \$	0

Note: This schedule was revised to reflect the removal of cash working capital from rate base.

SULPHUR SPRINGS VALLEY EC, INC.
EXISTING RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost Allocation Summary

Account	Total	Residential	Gen Service	GS-TOU	RV Parks	Lighting
Rate Base	136,903,285	70,679,981	26,934,709	287,385	505,210	3,211,854
Operating Revenues	92,613,558	43,736,886	13,579,905	96,579	459,038	762,329
Operating Expenses	86,362,455	42,976,669	13,710,179	102,742	417,373	982,106
Return	6,251,103	760,216	-130,273	-6,162	41,664	-219,776
Rate of Return	4.566%	1.076%	-0.450%	-2.144%	8.247%	-6.843%
Relative ROR	1.000	0.236	-0.099	-0.470	1.806	-1.499
Interest	7,532,556	4,018,616	1,551,864	14,860	26,519	162,840
Operating Margins	-1,281,453	-3,258,399	-1,682,137	-21,023	15,144	-382,616
Margin as % Revenue	-1.384%	-7.450%	-12.387%	-21.768%	3.299%	-50.190%
Operating TIER	0.830	0.189	-0.084	-0.415	1.571	-1.350
Revenue Deficiencies						
Uniform ROR = 12.514445	10,881,583	8,084,990	3,751,292	42,127	21,559	621,721
Deficiency % Rev	11.749%	18.486%	27.624%	43.619%	4.697%	81.555%
Uniform % Mar = 9.275924	10,881,583	8,063,350	3,242,578	33,047	30,240	499,679
Deficiency % Rev	11.749%	18.436%	23.878%	34.218%	6.588%	65.546%

1. Total column is consistent with column(c) on Schedule A-1.0.
2. Total Rate Base calculation can be found on Schedule B-1.0. Allocation of Rate Base to each class is shown on Schedule H-1.1.
3. Total Revenue can be found on Schedule A-1.0, column(c). Allocation of Revenue to each class is shown on Schedule K-1.0.
4. Total Expenses can be found on Schedule A-1.0, column(c). Allocation of Expenses to each class is shown on Revised Schedule G-4.0.
5. Total Interest can be found on Schedule A-1.0, column(c). Allocation of Interest to each class is shown on Schedule H-1.2.

SULPHUR SPRINGS VALLEY EC, INC.
EXISTING RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost Allocation Summary

Account	Total	Large Power	LP-TOU	LP Industrial	Contracts	Fi Huachuca
Rate Base	136,903,285	13,154,879	643,768	2,053,312	2,522,145	-23,390
Operating Revenues	92,613,558	12,649,969	664,367	2,241,360	2,944,921	2,822,220
Operating Expenses	86,362,455	10,976,181	455,929	2,053,838	2,566,011	1,756,252
Return	6,251,103	1,673,787	208,438	187,522	378,910	1,065,967
Rate of Return	4.566 %	12.724 %	32.378 %	9.133 %	15.023 %	-4,557,277 %
Relative ROR	1.000	2.787	7.091	2.000	3.290	-998.074
Interest	7,532,556	691,906	35,525	109,411	129,503	10,957
Operating Margins	-1,281,453	981,881	172,912	78,110	249,406	1,055,009
Margin as % Revenue	-1.384 %	7.762 %	26.027 %	3.485 %	8.469 %	37.382 %
Operating TIER	0.830	2.419	5.867	1.714	2.926	97.285

Revenue Deficiencies

Uniform ROR = 12.514445	10,881,583	-27,527	-127,874	69,438	-53,277	-1,068,894
Deficiency % Rev	11.749 %	-0.218 %	-19.247 %	3.098 %	-2.149 %	-37.874 %
Uniform % Mar = 9.275924	10,881,583	211,102	-122,664	143,067	26,191	-874,324
Deficiency % Rev	11.749 %	1.669 %	-18.463 %	6.383 %	0.889 %	-30.980 %

1. Total column is consistent with column(c) on Schedule A-1.0.
2. Total Rate Base calculation can be found on Schedule B-1.0. Allocation of Rate Base to each class is shown on Schedule H-1.1.
3. Total Revenue can be found on Schedule A-1.0, column(c). Allocation of Revenue to each class is shown on Schedule K-1.0.
4. Total Expenses can be found on Schedule A-1.0, column(c). Allocation of Expenses to each class is shown on Revised Schedule G-4.0.
5. Total Interest can be found on Schedule A-1.0, column(c). Allocation of Interest to each class is shown on Schedule H-1.2.

SULPHUR SPRINGS VALLEY EC, INC.
EXISTING RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost Allocation Summary

Account	Total	Irrigation	Irrig-Daily	Irrig-Weekly	Irrig-Large	Total Irrig
Rate Base	136,903,285	6,312,947	1,415,095	3,724,887	3,480,496	14,933,426
Operating Revenues	92,613,558	5,557,877	964,093	3,134,071	2,999,936	12,655,978
Operating Expenses	86,362,455	5,065,524	642,988	2,588,848	2,067,809	10,365,170
Return	6,251,103	492,352	321,104	545,223	932,126	2,290,807
Rate of Return	4.566%	7.799%	22.691%	14.637%	26.781%	15.340%
Relative ROR	1.000	1.708	4.970	3.206	5.865	3.360
Interest	7,532,556	330,693	73,534	195,057	181,263	780,548
Operating Margins	-1,281,453	161,659	247,570	350,165	750,863	1,510,258
Margin as % Revenue	-1.384%	2.909%	25.679%	11.173%	25.023%	11.933%
Operating TIER	0.830	1.489	4.367	2.795	5.142	2.935
Revenue Deficiencies						
Uniform ROR = 12.514445	10,881,583	297,677	-144,013	-79,074	-496,562	-421,972
Deficiency % Rev	11.749%	5.356%	-14.938%	-2.523%	-16.552%	-3.334%
Uniform % Mar = 9.275924	10,881,583	390,067	-174,310	-65,529	-520,911	-370,884
Deficiency % Rev	11.749%	7.018%	-18.080%	-2.091%	-17.364%	-2.929%

1. Total column is consistent with column(c) on Schedule A-1.0.

2. Total Rate Base calculation can be found on Schedule B-1.0. Allocation of Rate Base to each class is shown on Schedule H-1.1.

3. Total Revenue can be found on Schedule A-1.0, column(c). Allocation of Revenue to each class is shown on Schedule K-1.0.

4. Total Expenses can be found on Schedule A-1.0, column(c). Allocation of Expenses to each class is shown on Revised Schedule G-4.0.

5. Total Interest can be found on Schedule A-1.0, column(c). Allocation of Interest to each class is shown on Schedule H-1.2.

SULPHUR SPRINGS VALLEY EC, INC.
EXISTING RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost of Service Allocation - RATE BASE

Accounts	Total	A.F.	Residential	Gen Service	GS-TOU	RV Parks	Lighting
Plant in Service	212,732,372	113	113,492,661	43,827,317	419,698	748,964	4,598,895
CWIP	0	109	0	0	0	0	0
CWIP-Fort Huachuca	0	111	0	0	0	0	0
Accum Deprec-Trans	-4,957,964	101	-2,432,880	-716,980	-3,095	-26,229	-9,370
Accum Deprec-Dist	-54,400,650	108	-28,177,554	-11,772,772	-119,610	-192,913	-1,362,116
Accum	-13,027,262	108	-8,874,442	-2,007,171	-10,628	-33,839	-47,872
Retire WIP-Remainder	241,093	109	128,810	49,743	476	850	5,220
Retire WIP-FH	-336,957	111	0	0	0	0	0
Amortize FCC	-46,500	108	-31,677	-7,164	-38	-121	-171
Subtotal	140,204,132	143*	74,104,919	29,372,972	286,803	496,711	3,184,585
Net Plant			52.855%	20.950%	0.205%	0.354%	2.271%
Materials & Supplies	2,157,124	113	1,150,825	444,413	4,256	7,595	46,633
Cash Working Capital	0	124	0	0	0	0	0
Prepayments	672,820	113	358,949	138,615	1,327	2,369	14,545
Consumer Deposits	-1,506,543	12	-1,212,626	-250,966	-1,229	-360	-8,333
Deferred Credits	-4,624,248	12	-3,722,086	-770,325	-3,772	-1,104	-25,576
Total	136,903,285	144*	70,679,982	28,934,709	287,365	505,211	3,211,855
RATE BASE			51.628%	21.135%	0.210%	0.369%	2.346%

1. Total column is consistent with Schedule A-1.0, column (e).

SULPHUR SPRINGS VALLEY EC, INC.
 EXISTING RATES - REVISED 7/19/08
 TEST YEAR - DECEMBER 31, 2007
 Cost of Service Allocation - RATE BASE

Accounts	Total	A.F.	Large Power	LP-TOU	LP Industrial	Contracts	Ft Huachuca
Plant in Service	212,732,372	113	19,540,641	1,003,308	3,069,978	3,657,414	309,450
CWIP	0	109	0	0	0	0	0
CWIP-Fort Huachuca	0	111	0	0	0	0	0
Accum Deprec-Trans	-4,957,964	101	-668,534	-64,907	-206,301	-203,214	0
Accum Deprec-Dist	-54,400,650	106	-5,009,247	-219,153	-738,655	-983,833	0
Accum	-13,027,262	108	-945,866	-85,026	-134,865	-780	0
Retire WIP-Remainder	241,093	109	22,178	1,139	3,507	4,151	0
Retire WIP-FH	-336,957	111	0	0	0	0	-336,957
Amortize FCC	-46,500	108	-3,376	-303	-481	-3	0
Subtotal	140,204,132	143*	12,935,795	635,057	2,013,183	2,473,736	-27,507
Net Plant			9.226%	0.453%	1.436%	1.764%	-0.020%
Materials & Supplies	2,157,124	113	198,144	10,174	31,333	37,086	3,138
Cash Working Capital	0	124	0	0	0	0	0
Prepayments	672,820	113	61,802	3,173	9,773	11,567	979
Consumer Deposits	-1,506,543	12	-10,041	-1,139	-240	-60	0
Deferred Credits	-4,624,246	12	-30,820	-3,496	-736	-184	0
Total	136,903,285	144*	13,154,880	643,769	2,053,312	2,522,146	-23,390
RATE BASE			9.609%	0.470%	1.500%	1.842%	-0.017%

1. Total column is consistent with Schedule A-1.0, column(e).

SULPHUR SPRINGS VALLEY EC, INC.
EXISTING RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost of Service Allocation - RATE BASE

Accounts	Total	A.F.	Irrigation	Irrig-Daily	Irrig-Weekly	Irrig-Large	Total Irrig
Plant in Service	212,732,372	113	9,339,357	2,076,735	5,508,769	5,119,186	22,044,046
CWIP	0	109	0	0	0	0	0
CWIP-Fort Huachuca	0	111	0	0	0	0	0
Accum Deprec-Trans	-4,957,964	101	-276,989	-48,403	-153,170	-147,891	-628,452
Accum Deprec-Dist	-54,400,650	106	-2,450,081	-560,564	-1,453,878	-1,360,272	-5,824,796
Accum	-13,027,262	108	-395,686	-73,490	-228,717	-188,881	-886,774
Retire WIP-Remainder	241,093	109	10,600	2,357	6,252	5,810	25,019
Retire WIP-FH	-336,957	111	0	0	0	0	0
Amortize FCC	-46,500	108	-1,412	-262	-816	-674	-3,165
Subtotal	140,204,132	143*	6,225,787	1,396,373	3,678,439	3,427,278	14,727,878
Net Plant			4.441 %	0.996 %	2.624 %	2.444 %	10.505 %
Materials & Supplies	2,157,124	113	94,702	21,058	55,859	51,909	223,528
Cash Working Capital	0	124	0	0	0	0	0
Prepayments	672,820	113	29,538	6,568	17,423	16,191	69,720
Consumer Deposits	-1,506,543	12	-9,112	-2,188	-6,594	-3,657	-21,551
Deferred Credits	-4,624,248	12	-27,988	-6,716	-20,240	-11,224	-66,149
Total	136,903,285	144*	6,312,947	1,415,096	3,724,887	3,480,497	14,933,426
RATE BASE			4.611 %	1.034 %	2.721 %	2.542 %	10.908 %

1. Total column is consistent with Schedule A-1.0, column(e).

SULPHUR SPRINGS VALLEY EC, INC.
PROPOSED RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost Allocation Summary

Account	Total	Residential	Gen Service	GS-TOU	RV Parks	Lighting
Rate Base	136,903,285	70,679,981	28,934,709	287,385	505,210	3,211,854
Operating Revenues	103,495,149	49,651,577	16,602,959	111,090	475,323	873,123
Operating Expenses	86,362,455	42,990,014	13,734,732	102,796	416,726	982,471
Return	17,132,694	6,661,562	2,868,226	8,293	58,596	-109,348
Rate of Return	12.514 %	9.425 %	9.913 %	2.886 %	11.599 %	-3.405 %
Relative ROR	1.000	0.753	0.792	0.231	0.927	-0.272
Interest	7,532,556	4,018,616	1,551,864	14,860	26,519	162,840
Operating Margins	9,600,138	2,642,946	1,316,362	-6,567	32,077	-272,188
Margin as % Revenue	9.276 %	5.323 %	7.928 %	-5.912 %	6.749 %	-31.174 %
Operating TIER	2.274	1.658	1.848	0.558	2.210	-0.672
Revenue Deficiencies						
Uniform ROR = 12.514445	-7	2,183,645	752,791	27,671	4,627	511,293
Deficiency % Rev	0.000 %	4.398 %	4.534 %	24.909 %	0.974 %	58.559 %
Uniform % Mar = 9.275924	-7	2,163,369	246,588	18,596	13,241	389,288
Deficiency % Rev	0.000 %	4.357 %	1.485 %	16.740 %	2.786 %	44.586 %

SULPHUR SPRINGS VALLEY EC, INC.
PROPOSED RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost Allocation Summary

Account	Total	Large Power	LP-TOU	LP Industrial	Contracts	Ft Huachuca
Rate Base	136,903,285	13,154,879	643,768	2,053,312	2,522,145	-23,390
Operating Revenues	103,495,149	13,310,348	671,303	2,375,555	2,959,010	2,822,220
Operating Expenses	86,362,455	10,961,975	454,706	2,051,616	2,560,302	1,750,549
Return	17,132,694	2,348,373	216,596	323,939	398,708	1,071,670
Rate of Return	12.514 %	17.852 %	33.645 %	15.776 %	15.808 %	-4,581.661 %
Relative ROR	1.000	1.427	2.689	1.261	1.263	-366.110
Interest	7,532,556	691,906	35,525	109,411	129,503	10,957
Operating Margins	9,600,138	1,656,466	181,071	214,527	269,204	1,060,713
Margin as % Revenue	9.276 %	12.445 %	26.973 %	9.031 %	9.098 %	37.584 %
Operating TIER	2.274	3.394	6.097	2.961	3.079	97.805
Revenue Deficiencies						
Uniform ROR = 12.514445	-7	-702,113	-136,032	-66,978	-83,075	-1,074,597
Deficiency % Rev	0.000 %	-5.275 %	-20.264 %	-2.819 %	-2.808 %	-38.076 %
Uniform % Mar = 9.275924	-7	-464,936	-130,948	6,423	5,809	-880,611
Deficiency % Rev	0.000 %	-3.493 %	-19.507 %	0.270 %	0.196 %	-31.203 %

SULPHUR SPRINGS VALLEY EC, INC.
PROPOSED RATES - REVISED 7/19/08
TEST YEAR - DECEMBER 31, 2007
Cost Allocation Summary

Account	Total	Irrigation	Irrig-Daily	Irrig-Weekly	Irrig-Large	Total Irrig
Rate Base	136,903,285	6,312,947	1,415,095	3,724,887	3,480,496	14,933,426
Operating Revenues	103,495,149	6,217,598	967,713	3,307,644	3,149,661	13,642,638
Operating Expenses	86,362,455	5,065,639	641,102	2,585,499	2,064,322	10,356,564
Return	17,132,694	1,151,958	326,611	722,144	1,085,358	3,286,073
Rate of Return	12.514%	18.248%	23.081%	19.387%	31.184%	22.005%
Relative ROR	1.000	1.458	1.844	1.549	2.492	1.758
Interest	7,532,556	330,693	73,534	195,057	181,263	780,548
Operating Margins	9,600,138	821,265	253,076	527,067	904,095	2,505,524
Margin as % Revenue	9.276%	13.209%	26.152%	15.935%	28.704%	18.365%
Operating TIER	2.274	3.483	4.442	3.702	5.988	4.210
Revenue Deficiencies						
Uniform ROR = 12.514445	-7	-361,928	-149,519	-255,995	-649,793	-1,417,237
Deficiency % Rev	0.000%	-5.821%	-15.451%	-7.740%	-20.630%	-10.388%
Uniform % Mar = 9.275924	-7	-269,526	-180,010	-242,793	-674,499	-1,366,829
Deficiency % Rev	0.000%	-4.335%	-18.602%	-7.340%	-21.415%	-10.019%

1 Q. WHEN WERE SSVEC'S EXISTING RATES APPROVED?

2 A. SSVEC's existing rates were approved in Decision No. 58358 on July 23, 1993.

3
4 Q. ARE THERE ANY COMPLIANCE ISSUES WITH REGARD TO THE
5 ORDER ENTERED IN DECISION NO. 58358 THAT YOU WISH TO
6 ADDRESS?

7 A. Yes. There are two issues in Decision No. 58358 that need to be addressed. The
8 first is the order requiring that SSVEC include in its next rate filing a lead/lag study
9 for the purpose of determining the cash working capital component of rate base.
10 SSVEC has not performed or included a lead/lag study in this rate filing. As will
11 be discussed more fully later in my testimony, the proposed revenue requirement
12 for SSVEC in this filing has been determined based on the cash requirements to
13 increase the equity, build cash reserves, provide funding for plant additions and
14 allow for a higher level of capital credit retirements. The proposed revenue
15 requirement is not based on the development of a rate of return on rate base
16 approach or fair value determination. As such, the development of the rate base is
17 not an essential element in the determination of the revenue requirement and a
18 calculation of the cash working capital using a lead/lag study does not add
19 accuracy or value. Therefore, SSVEC determined not to incur the cost of
20 developing a lead/lag study and the cash working capital component of rate base
21 has been excluded.

22 The second issue from Decision No. 58358 that needs to be addressed
23 required that SSVEC utilize the "average and peak" allocation method in its cost of
24 service study. This allocation method may have been preferred by the Commission
25 and Staff fifteen years ago but in more recent rate filings by other cooperatives
26 such as Navopache and TRICO this methodology was not utilized. SSVEC has

	Existing RROR	Proposed RROR
Residential	0.236	0.753
General Service	(0.099)	0.792
Gen Service TOU	(0.470)	0.231
RV Parks	1.806	0.927
Lighting	(1.499)	(0.272)
Large Power	2.787	1.427
LP TOU	7.091	2.689
LP Industrial	2.000	1.261
Contracts	3.290	1.263
Irrigation	1.708	1.458
Irrigation Daily	4.970	1.844
Irrigation Weekly	3.206	1.549
Irrigation Large	5.865	2.492
Total System	1.000	1.000

As indicated by the table, the relative rates of return under proposed rates move closer to 1.000 for all classes, indicating a movement toward rates which more closely reflect cost.

RATE DESIGN AND IMPACT ON CUSTOMERS

Q: WHAT ARE THE BASIC OBJECTIVES OF THE PROPOSED RATE DESIGN FOR EACH CLASS?

A. The basic objectives of the proposed rate design are:

- Recover the cost of providing service
- Reflect the unbundled costs of providing service
- Reflect a consideration of the impact of the rate change on the member

A-11
admitted

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
 WILLIAM A. MUNDELL
 JEFF HATCH-MILLER
 KRISTIN K. MAYES
 GARY PIERCE

2008 JUL 28 P 4:47

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE
 APPLICATION OF SULPHUR
 SPRINGS VALLEY ELECTRIC
 COOPERATIVE, INC. FOR A
 HEARING TO DETERMINE THE FAIR
 VALUE OF ITS PROPERTY FOR
 RATEMAKING PURPOSES, TO FIX A
 JUST AND REASONABLE RETURN
 THEREON, TO APPROVE RATES
 DESIGNED TO DEVELOP SUCH
 RETURN AND FOR RELATED
 APPROVALS.

DOCKET NO. E-01575A-08-0328

NOTICE OF FILING REVISIONS TO
APPLICATION

Pursuant to discussions between Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") and Commission Staff, SSVEC hereby submits the following revisions to its June 30, 2008, Application that was filed in the above-captioned matter:

- Revised Schedule N-5.0, to reflect the existing miscellaneous charges to exclude taxes. The existing miscellaneous charges shown on Schedule N-5.0 filed with the Application included taxes.
- Revised Schedule O-1.0, Page 2 of 2, to reflect the corrected Demand Charge for both the Large Power and RV Parks rate classes. The revised Schedule shows the Demand Charge for both Customer-Owned Transformation and Cooperative-Owned Transformation service. The originally filed comparison showed only the Demand Charge for Cooperative-Owned Transformation service.

1 Electronic versions of the attached revised Schedules have already been provided
2 to Commission Staff.

3 RESPECTFULLY SUBMITTED this 28th day of July, 2008.

4 SNELL & WILMER LLP.

5
6 By 

7 Bradley S. Carroll
8 Jeffrey W. Crockett
9 One Arizona Center
400 E. Van Buren
10 Phoenix, AZ 85004-2202
Attorneys for Sulphur Springs Valley
11 Electric Cooperative, Inc.

12 ORIGINAL and 13 copies filed this
13 28th day of July, 2008, with:

14 Docket Control
15 ARIZONA CORPORATION COMMISSION
1200 West Washington
16 Phoenix, Arizona 85007

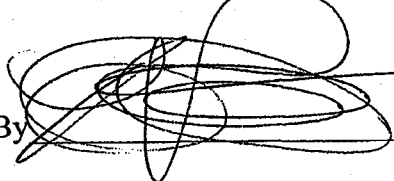
17 COPIES of the foregoing hand-delivered
18 this 28th day of July, 2008, to:

19 Terry Ford, Chief of Energy and Telecom
20 Richard Martinez
Utilities Division
21 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
22 Phoenix, Arizona 85007

23 Amanda Ho, Staff Attorney
24 Legal Division
ARIZONA CORPORATION COMMISSION
25 1200 West Washington Street
26 Phoenix, Arizona 85007

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Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

By 

8975072.1

S & Wilmer

LLP

LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

DOCKET NO. E-1575A-08-0328 REVISED 7/25/08

OTHER REVENUE FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2007

	Units	Rate	Existing		Proposed		Change	
			Revenue	Rate	Revenue	Rate	Revenue	Rate
Return Check	1,450	15.00	21,750.00	35.00	50,750.00	20.00	29,000.00	
Existing Member Connect Fee - Regular Hours	10,191	25.00	254,775.00	50.00	509,550.00	25.00	254,775.00	
Connect Fee - After Hours	59	45.00	2,655.00	75.00	4,425.00	30.00	1,770.00	
New Connects	1,500	0.00	0.00	50.00	75,000.00	50.00	75,000.00	
Non-Pay Trip Fee - Regular Hours	7,137	25.00	178,425.00	100.00	713,700.00	75.00	535,275.00	
Non-Pay Trip Fee - After Hours	359	45.00	16,155.00	150.00	53,850.00	105.00	37,695.00	
Total			<u>473,760.00</u>		<u>1,407,275.00</u>		<u>933,515.00</u>	

DOCKET NO. E-1575A-08-0328 REVISED 7/25/08

Schedule O-1.0
Page 2 of 2

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

SUMMARY OF RATES

Existing:	Proposed:	Change
Irrigation - Weekly Control	Irrigation - Weekly Control	
Base Charge \$25.00	Base Charge - Single Phase \$25.00	\$0.00
First 150 kWh/kW, per Month \$0.092900	First 150 kWh/kW, per Month \$0.110000	\$0.017100
Next 150 kWh/kW, per Month \$0.089500	Next 150 kWh/kW, per Month \$0.110000	\$0.020500
Over 300 kWh/kW, per Month \$0.064500	Over 300 kWh/kW, per Month \$0.080000	\$0.015500
kWh Discount for Reaching 3rd Block 7.00%	kWh Discount for Reaching 3rd Block 5.00%	(\$0.02)
Irrigation - Daily Control/Large	Irrigation - Daily Control/Large	
Base Charge \$25.00	Base Charge \$25.00	\$0.00
Demand Charge, per kW \$16.00	Demand Charge, per kW \$19.00	\$3.00
Energy Charge, per kWh \$0.068000	Plus: Direct Power Cost \$0.085000	\$0.017000
Large Power	Large Power	
Base Charge \$42.00	Base Charge \$75.00	\$33.00
Demand Charge, per kW - Cust. Owned Tfmr. \$5.50	Demand Charge, per kW - Cust. Owned Tfmr. \$8.80	\$3.30
Demand Charge, per kW - Coop. Owned Tfmr. \$6.50	Demand Charge, per kW - Coop. Owned Tfmr. \$9.80	\$3.30
Energy Charge, per kWh \$0.062100	Energy Charge, per kWh \$0.067600	\$0.005500
Large Power - Seasonal	Large Power - Seasonal	
Base Charge \$50.00	Base Charge \$75.00	\$25.00
Demand Charge, per kW - Cust. Owned Tfmr. \$7.00	Demand Charge, per kW - Cust. Owned Tfmr. \$9.80	\$2.80
Demand Charge, per kW - Coop. Owned Tfmr. \$8.50	Demand Charge, per kW - Coop. Owned Tfmr. \$10.80	\$2.30
Energy Charge, per kWh \$0.059400	Energy Charge, per kWh \$0.067600	\$0.008200
Large Power - Industrial	Large Power - Industrial	
Base Charge \$225.00	Base Charge \$250.00	\$25.00
Demand Charge, per kW - Cust. Owned Tfmr. \$5.50	Demand Charge, per kW - Cust. Owned Tfmr. \$6.50	\$1.00
Demand Charge, per kW - Coop. Owned Tfmr. \$6.00	Demand Charge, per kW - Coop. Owned Tfmr. \$7.50	\$1.50
First 400 kWh/kW per Month \$0.061000	First 400 kWh/kW per Month \$0.076300	\$0.015300
Over 400 kWh/kW per Month \$0.033000	Over 400 kWh/kW per Month \$0.041300	\$0.008300
Large Power - Time of Use	Large Power - Time of Use	
Base Charge \$43.84	Base Charge \$100.00	\$56.16
On-Peak kW \$17.00	On-Peak kW \$19.00	\$2.00
Off-Peak kW \$4.09	Off-Peak kW \$4.75	\$0.66
Energy Charge, per kWh \$0.034690	Energy Charge, per kWh \$0.040700	\$0.006010
Contract 1	Contract 1	
Base Charge \$25.00	Base Charge \$25.00	\$0.00
Billing kW \$2.50	Billing kW \$2.50	\$0.00
On-Peak kWh \$0.058200	On-Peak kWh \$0.071000	\$0.012800
Off-Peak kWh \$0.035000	Off-Peak kWh \$0.047800	\$0.012800
Contract 2	Contract 2	
Base Charge \$9,633.00	Base Charge \$9,633.00	\$0.00
Billing kW \$9.00	Billing kW \$9.00	\$0.00
First 400 kWh/kW per Month \$0.054750	First 400 kWh/kW per Month \$0.069100	\$0.014350
Over 400 kWh/kW per Month \$0.034750	Over 400 kWh/kW per Month \$0.049100	\$0.014350
RV Parks	RV Parks	
Base Charge \$42.00	Base Charge \$75.00	\$33.00
Demand Charge, per kW - Cust. Owned Tfmr. \$5.50	Demand Charge, per kW - Cust. Owned Tfmr. \$8.80	\$3.30
Demand Charge, per kW - Coop. Owned Tfmr. \$6.50	Demand Charge, per kW - Coop. Owned Tfmr. \$9.80	\$3.30
Energy Charge, per kWh \$0.062100	Energy Charge, per kWh \$0.067600	\$0.005500

x

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
 WILLIAM A. MUNDELL
 JEFF HATCH-MILLER
 KRISTIN K. MAYES
 GARY PIERCE

IN THE MATTER OF THE
 APPLICATION OF SULPHUR
 SPRINGS VALLEY ELECTRIC
 COOPERATIVE, INC. FOR A
 HEARING TO DETERMINE THE FAIR
 VALUE OF ITS PROPERTY FOR
 RATEMAKING PURPOSES, TO FIX A
 JUST AND REASONABLE RETURN
 THEREON, TO APPROVE RATES
 DESIGNED TO DEVELOP SUCH
 RETURN AND FOR RELATED
 APPROVALS.

DOCKET NO. E-01575A-08-0328

**NOTICE OF FILING REVISED
SCHEDULE TO APPLICATION**

Pursuant to correspondence between counsel for Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") and Commission Staff, SSVEC hereby submits a revised Schedule N-3.0 to its June 30, 2008, Application that was filed in the above-captioned matter. The purpose of the revision is to correct a number contained in the Schedule filed with the Application. The revised Schedule directly replaces the Schedule contained in the original Application.

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...

1 RESPECTFULLY SUBMITTED this 20th day of October, 2008.

2 SNELL & WILMER LLP.

3
4 By 

5 Bradley S. Carroll
6 One Arizona Center
7 400 E. Van Buren
8 Phoenix, Arizona 85004-2202
9 Attorneys for Sulphur Springs Valley
10 Electric Cooperative, Inc.

11 ORIGINAL and 13 copies filed this
12 20th day of October, 2008, with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington
16 Phoenix, Arizona 85007

17 COPIES of the foregoing hand-delivered
18 this 20th day of October, 2008, to:

19 Julie McNeely-Kirwan
20 Utilities Division
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Amanda Ho, Staff Attorney
25 Legal Division
26 ARIZONA CORPORATION COMMISSION
27 1200 West Washington Street
28 Phoenix, Arizona 85007

Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007


By

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

PROPOSED WPCA BASE

	Adjusted	Proposed	Change
Adjusted Power Cost	\$ 57,691,587.21	\$ 57,691,587.21	0
Adjusted kWh Sold	799,860,156	799,860,156	0
Power Cost per kWh Sold	\$ 0.072127	\$ 0.072127	0.000000
Base Cost	0.058970	0.072127	0.013157
WPCA Factor	\$ 0.013157	\$ 0.000000	-0.013157

A-13
admitted

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2008 OCT 21 P 3:58

AZ CORP COMMISSION
DOCKET CONTROLCOMMISSIONERSMIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE
APPLICATION OF SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, TO APPROVE RATES
DESIGNED TO DEVELOP SUCH
RETURN AND FOR RELATED
APPROVALS.

DOCKET NO. E-01575A-08-0328

**NOTICE OF FILING REVISED
SCHEDULE TO APPLICATION**

Pursuant to discussions between counsel for Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") and Commission Staff, SSVEC hereby submits a revised Schedule N-5.0 to its June 30, 2008, Application that was filed in the above-captioned matter. The purpose of the revision is to correct information contained in the Schedule filed with the Application. The revised Schedule directly replaces the Schedule contained in the original Application.

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...

1 RESPECTFULLY SUBMITTED this 21st day of October, 2008.

2 SNELL & WILMER L.L.P.

3
4 By 

5 Bradley S. Carroll
6 One Arizona Center
7 400 E. Van Buren
8 Phoenix, Arizona 85004-2202
9 Attorneys for Sulphur Springs Valley
10 Electric Cooperative, Inc.

11 ORIGINAL and 13 copies filed this
12 21st day of October, 2008, with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington
16 Phoenix, Arizona 85007

17 COPIES of the foregoing hand-delivered
18 this 21st day of October, 2008, to:

19 William Musgrove
20 Utilities Division
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Amanda Ho, Staff Attorney
25 Legal Division
26 ARIZONA CORPORATION COMMISSION
27 1200 West Washington Street
28 Phoenix, Arizona 85007

Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

By 

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

OTHER REVENUE - REVISED IN RESPONSE TO DR WM 4.2
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2007

	Existing			Proposed			Change		
	Units	Rate	Revenue	Rate	Revenue	Revenue	Rate	Revenue	
Existing Member Connect Fee - Regular Hours	10,151	25	253,775.00	50	507,550.00		25	253,775.00	
Connect Fee - After Hours	63	45	2,835.00	150	9,450.00		105	6,615.00	
New Connects	1,500	0	-	50	75,000.00		50	75,000.00	
Non-Pay Trip Fee - Regular Hours	6,426	25	160,650.00	50	321,300.00		25	160,650.00	
Non-Pay Trip Fee - After Hours	664	45	29,880.00	150	99,600.00		105	69,720.00	
Pump and Equipment Test	8	60	480.00	60	480.00			-	
Radio Control Install Fee	57	125	7,125.00	125	7,125.00			-	
Temporary Meter	23	95	2,185.00	95	2,185.00			-	
Special after hours Connect Fee	1	620	620.00	620	620.00			-	
Aid to Construction - Line extension			91,590.16		91,590.16			-	
Revenue from Lump Sum ISAC Payments			34,116.97		34,116.97			-	
Late Charge			124,032.92		124,032.92			-	
Penalty for Irrigation Override			584.26		584.26			-	
*Collection Service Charges removed			(1,536.89)		(1,536.89)			-	
Taxes included in Service Charges on GL			28,974.20		28,974.20			-	
Mileage included in Service Charges on GL			3,075.85		3,075.85			-	
NSF Check reclassified			15.00		15.00			-	
Total			<u>738,402.47</u>		<u>1,304,162.47</u>			<u>565,760.00</u>	
**Returned Check	1,450	15	21,750.00	35	50,750.00		20	29,000.00	
***Meter Rereads				50			25		
***Service Call - Regular Hours				100			25		
***Service Call - After Hours				150			45		
***Meter Test				150			25		
			<u>760,152.47</u>		<u>1,354,912.47</u>			<u>594,760.00</u>	

*These charges were incorrectly charged during non pay disconnects and were subsequently reversed

**Returned checks are recorded in account 903.00 - Customer Records and Collection Expenses not in Acct 451 as previously indicated

***Meter Rereads, Service Calls (during Regular Hours and After Hours), and Meter Tests did not have a separate charge code during the test year. The charges for these items during the test year were included in Existing Member Connect Fee - Regular Hours and Connect Fee - After hours

BEFORE THE ARIZONA CORPORATION COMMISSION
RECEIVED

COMMISSIONERS

2008 NOV 13 A 11:31

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE
APPLICATION OF SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, TO APPROVE RATES
DESIGNED TO DEVELOP SUCH
RETURN AND FOR RELATED
APPROVALS.

DOCKET NO. E-01575A-08-0328

**NOTICE OF FILING REVISED
SCHEDULE TO APPLICATION**

Pursuant to communications between Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") and Commission Staff, SSVEC hereby submits a revised Schedule A-11.0 to its June 30, 2008, Application that was filed in the above-captioned matter. The purpose of the revision is to correct the applicable depreciation rates and depreciable balances contained in SSVEC's Application. The revised Schedule directly replaces the Schedule contained in the original Application.

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...

...

1 RESPECTFULLY SUBMITTED this 13th day of November, 2008.

2 SNELL & WILMER LLP.

3
4 By



5 Bradley S. Carroll
6 One Arizona Center
7 400 E. Van Buren
8 Phoenix, Arizona 85004-2202
9 Attorneys for Sulphur Springs Valley
10 Electric Cooperative, Inc.

11 ORIGINAL and 13 copies filed this
12 13th day of November, 2008, with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington
16 Phoenix, Arizona 85007

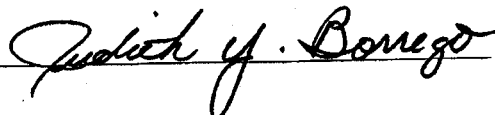
17 COPIES of the foregoing hand-delivered
18 this 13th day of November, 2008, to:

19 Crystal Brown
20 Utilities Division
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Wes Van Cleve, Staff Attorney
25 Legal Division
26 ARIZONA CORPORATION COMMISSION
27 1200 West Washington Street
28 Phoenix, Arizona 85007

Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

By



SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule A-11.0 - Revised

DEPRECIATION EXPENSE

	Plant Balance	Depreciation Rate	Depreciation	
303.00 Intangible Plant	\$46,500.00			
Transmission Plant				
350.00 Land and Land Rights	\$633,767.63	0.00%	\$0.00	
353.00 Station Equipment	933,200.79	2.75%	25,663.02	
355.00 Poles and Fixtures	2,774,628.86	2.75%	76,302.29	
356.00 OH Conductors	5,630,062.75	2.75%	154,826.73	
Total	\$9,971,660.03		256,792.04	Acct 403.4
Distribution Plant				
360.00 Land and Land Rights	\$124,706.45	0.00%	0.00	
361.00 Structures & Improvements	5,191.24	0.00%	0.00	
362.00 Substation Equipment	18,024,631.06	3.20%	576,788.19	
364.00 Poles, Towers & Fixtures	34,486,203.45	4.00%	1,379,448.14	
365.00 Conductors & Devices	22,819,125.72	2.80%	638,935.52	
366.00 Underground Conduit	16,751,471.01	2.30%	385,283.83	
367.00 Underground Conductors	26,200,655.80	5.90%	1,545,838.69	
368.00 Transformers	39,886,725.69	3.10%	1,236,488.50	
369.00 Services	8,529,839.23	3.60%	307,074.21	
370.00 Meters	9,310,713.49	3.40%	316,564.26	
370.00 AMR - Accelerated Depreciation		3.40%	380,809.91	
371.00 Installations on Cons. Premises	1,310,597.74	4.40%	57,666.30	
373.00 Street Lighting & Signal System	2,110,063.81	4.30%	90,732.74	
Total	\$179,559,924.69		\$6,915,630.30	Acct 403.5
Distribution Non-Depreciated Plant				
364.97 Poles, Towers & Fixtures-FT Huachuca	-41,907.96			
365.97 Conductors & Devices-FT Huachuca	58,810.31			
366.97 Underground Conduit-FT Huachuca	1,751.52			
367.97 Underground Conductors-FT Huachuca	2,628.85			
368.97 Transformers-FT Huachuca	846,044.56			
369.97 Services-FT Huachuca	3,019.36			
370.97 Meters-FT Huachuca	25,697.54			
371.97 Install. On Cons Premises-FT Huachuca	5,540.20			
373.97 St. Lighting & Signal System-FT Huachuca	25,361.58			
Total	\$926,945.96			
General Plant				
389.00 Land and Land Rights	\$807,670.17	0.00%	0.00	
390.00 Structures & Improvements	4,687,543.16	3.00%	140,626.29	
390.97 Structures & Improvements-FT Huachuca	2,331,857.94		0.00	
391.00 Office Furniture & Equipment	3,185,020.73	6.00%	191,101.24	
391.97 Office Furniture & Equipment-FT Huachuca	35,673.21		0.00	
394.10 Tools, Shop & Garage	603,466.41	6.00%	36,207.98	
395.00 Laboratory Equipment	774,153.10	6.00%	46,449.19	
397.00 Communications Equipment	903,184.49	6.00%	54,191.07	
398.00 Miscellaneous	127,550.98	6.00%	7,653.06	
Adjustments to FT Huachuca Depr				
Total	\$13,456,120.19		\$476,228.84	Acct 403.6
Amounts Charged to Clearing Accounts				
392.00 Transportation	\$4,083,247.67	20.00%	\$429,835.35	Acct 184.40
392.97 Transportation-FT Huachuca	270,394.36	20.00%	18,784.14	Acct 184.40
393.00 Stores Equipment	293,929.09	6.00%	11,356.40	Acct 163.00
394.00 Tools, Shop & Garage	753,301.87	6.00%	36,960.09	Acct 184.40
396.00 Power Operated Equipment	6,625,779.03	12.00%	555,481.43	Acct 184.40
396.97 Power Operated Equipment-FT Huachuca	459,950.83	12.00%	27,584.57	Acct 184.40
Total	\$12,486,602.85		\$1,080,001.98	
General Non-Depreciated Plant				
391.97 Office Furniture & Equipment-FT Huachuca	\$10,563.22			
394.97 Tools, Shop & Garage-FT Huachuca	12,111.62			
398.97 FH CIAC Contra	-3,809,865.40			
399.97 Contributed Dollars	71,817.31			
Total	(\$3,715,373.25)			
Total Classified Plant	\$ 212,732,380.47			
Total Depreciation Less Clearing Accounts			\$7,648,651.18	
Test Year Amount			\$ 7,192,108.88	
Adjustment			\$ 456,542.30	

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF THE
9 APPLICATION OF SULPHUR
10 SPRINGS VALLEY ELECTRIC
11 COOPERATIVE, INC. FOR A
12 HEARING TO DETERMINE THE
13 FAIR VALUE OF ITS PROPERTY
14 FOR RATEMAKING PURPOSES,
15 TO FIX A JUST AND REASONABLE
16 RETURN THEREON, TO APPROVE
17 RATES DESIGNED TO DEVELOP
18 SUCH RETURN AND FOR
19 RELATED APPROVALS.

DOCKET NO. E-01575A-08-_____

20 **PRE-FILED DIRECT TESTIMONY OF REBECCA A. PAYNE**

21 **ON BEHALF OF SULPHUR SPRINGS**

22 **VALLEY ELECTRIC COOPERATIVE, INC.**

23 **JUNE 30, 2008**

1 **Q. PLEASE STATE YOUR NAME AND EMPLOYER.**

2 A. My name is Rebecca A. Payne and I am employed by C.H. Guernsey and Company.

3

4 **Q. PLEASE STATE YOUR BUSINESS ADDRESS.**

5 A My business address is 5555 North Grand Boulevard, Oklahoma City, Oklahoma 73112-
6 5507.

7

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
9 **WORK EXPERIENCE.**

10 A. I have earned a Bachelor of Science in Business degree and an M.B.A from Oklahoma
11 City University. I have been employed by C. H. Guernsey & Company from 1999-2004,
12 and since 2005. Schedule RAP-1 is my resume.

13

14 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?**

15 A. I represent Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or the
16 "Cooperative").

17

18 **Q. ARE YOU AUTHORIZED TO TESTIFY ON BEHALF OF THE**
19 **SSVEC?**

20 A. Yes.

21

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
23 **PROCEEDING?**

24 A. I am sponsoring the schedules developing the financial adjustments found in Section A of
25 the rate filing package.

26

1 **Q. WERE THE SCHEDULES ABOVE PREPARED BY YOU?**

2 A. Yes

3

4 **Q. WHO SUPPLIED THE DATA USED IN DEVELOPING THE SCHEDULES**
5 **THAT YOU ARE SPONSORING?**

6 A. All of the data was supplied by SSVEC.

7

8 **Q. WHAT IS THE TEST YEAR IN THIS PROCEEDING?**

9 A. The test year is the twelve months ended December 31, 2007.

10

11 **Q. PLEASE EXPLAIN SECTION A**

12 A. Schedule A-1.0 is the Income Statement for the test year showing:

- 13
- Actual Test Year
 - 14 • Adjustments to the Test Year
 - 15 • Adjusted Test Year (Actual Test Year Plus Adjustments)
 - 16 • Requested Revenue Change, and
 - 17 • Adjusted Test Year With Rate Change (Adjusted Test Year Plus Requested
 - 18 Revenue Change

19 Adjustments described below correspond to adjustment amounts shown in the
20 "Adjustments" column.

21

22 **Q. PLEASE EXPLAIN ADJUSTMENTS SHOWN ON SCHEDULE A-1.0.**

23 A. Adjustments are summarized on Schedule A-2.0. Schedules A-3.0 through A-3.3 show
24 adjustments to specific O&M accounts while Schedules A-4.0 through A-14.0 show
25 development of adjustments.
26

1 **Operating Revenue (Schedule A-4.0).** Calculation of revenue shown on this
2 schedule is developed on Schedule F-5.0. This schedule calculates the revenue by
3 applying the existing rates to adjusted test year billing units. The billing units are found
4 on schedules F-1.0 through F-2.1. There were two adjustments made to the test year
5 billing units. First, the number of consumers was adjusted to correspond to the number
6 billed based on the service charge revenue booked and shown on Schedule F-3.1. The
7 number of consumers actually billed often varies from the number of consumer shown on
8 record due to mid-month connects and disconnects. Secondly, two new loads began
9 taking service under the Large Power Industrial rate in the last quarter of the test year. The
10 usage for these loads was annualized to reflect a full 12 months of usage. The usage
11 assumptions for these two customers are found on Schedule F-7.0. The adjustment to
12 base revenue to reflect the change in billing units results in an increase of \$368,953.
13
14
15

16 In addition to the revenue adjustment associated with the change in billing units, a
17 revenue adjustment was made to restate the WPCA revenue based on the adjusted power
18 cost (Schedule F-6.0) and to zero out the fuel bank. The adjusted WPCA revenue reflects
19 the full amount of WPCA revenue that SSVEC is entitled to recover. The WPCA revenue
20 adjustment is (\$4,243,172). The adjustment to the fuel bank is \$3,584,223.
21

22 The total revenue adjustments result in a decrease to revenue of \$299,407.

23 **Purchased Power (Schedule A-5.0).** A detailed calculation of the adjusted
24 purchased power expense is provided in Section G. A summary of the adjustment is
25 provided on A-5.0. The adjustment to purchased power cost is due to changes in usage
26

1 from annualizing two new loads and a change in the wholesale contract from a full
2 requirements member to a partial requirements member. Schedule G-3.0 shows the power
3 cost with the addition of the annualized loads under the full requirements contract for the
4 test year. Schedule G-4.0 is a restatement of the power cost for the test year based on
5 SSVEC as a partial requirements member. The net difference between the actual power
6 cost and the adjusted power cost is a reduction of \$436,845.
7

8 **Bad Debts (Schedule A-6.0).** Bad debt expense has been adjusted by \$42,824.
9 This was derived from taking a historical ratio of the net bad debt write-offs to revenue
10 and applying this ratio the adjusted test year revenue. The historical ratios are found on
11 Schedule C-5.0.
12

13 **Payroll (Schedule A-7.0).** The adjustment to payroll expense totals \$820,106.
14 Payroll expense and adjustments are distributed to various expense accounts on Schedule
15 A-3.1. Adjusted payroll was calculated based upon 189 full-time employees and 16 part-
16 time employees using 2008 wage levels. This includes 10 full-time employees that were
17 employed by April 2008 at the time the study was prepared. The 2003-2007 average ratio
18 for overtime payroll to regular payroll of 10.03% was applied to calculate total adjusted
19 payroll. The 2003-2007 ratio for payroll expensed of 62.258% was then applied to
20 calculate adjusted payroll expensed. Historical payroll information is shown on Schedule
21 C-6.0.
22

23 **Employee Benefits (Schedules A-8.0 - A-8.10).** Expenses associated with
24 employee benefits were restated to 2008 levels. The Cooperative's portion of the adjusted
25 test year amount for each benefit was computed. The test year benefits expensed ratio of
26

1 67.734% (Schedule C-6.1) was applied to total adjusted benefits to calculate adjusted
2 benefits expensed. The adjustment to employee benefits expensed is \$130,570. Test year
3 employee benefits expensed by account and distribution of employee benefits adjustment
4 by account is shown on Schedule A-3.2.

5
6 The adjusted test year premium for medical insurance of \$1,030,671 was
7 computed by using the cooperative's portion of the 2008 premium for each of the plans
8 for the appropriate number of employees participating (Schedule A-8.1). The same
9 methodology was used for the vision plan resulting in an adjusted test year premium of
10 \$20,457 (Schedule 8.2) and for the dental plan resulting in an adjusted test year premium
11 of \$64,986 (Schedule 8.3). The adjusted test year premium for life insurance of \$47,150
12 was computed by using the adjusted full time base wages rounded up the next \$1,000
13 times the 2008 premium (Schedule 8.4). An adjusted test year premium of \$93,347 for
14 long-term disability was computed by applying the 2008 premium to the adjusted base
15 wages (Schedule 8.5).

16
17 The Cooperative's contributions to the 401k plan and the defined benefit plan were
18 adjusted to reflect the adjusted base wages and the increased 2008 contribution rate for the
19 defined benefit plan. The adjusted test year 401k premium is \$328,255 (Schedule A-8.6),
20 and the adjusted test year premium for the defined benefit pension plan is \$1,987,943
21 (Schedule A-8.7).

22
23 Included in the benefits adjustment is an annual benefit for 38 retirees of \$1,250
24 (Schedule A-8.8) and the accounting procedure for post-retirement benefits of \$526,067
25
26

1 (Schedule A-8.9). Workers' compensation is included in the total benefits, and the 2008
2 premium of \$176,234 is included in the adjustment (Schedule A-8.10).

3 **Rate Case Expense (Schedule A-9.0).** An adjustment to recognize expense
4 associated with development, filing and support of the rate case has been made. The
5 estimated cost of \$100,000 is intended to reflect cost of outside legal and consulting
6 services. This amount is amortized over a 5-year period, resulting in an adjustment of
7 \$20,000. Actual rate case expense will only be known at the time of the
8 hearing/settlement. Schedule RAP-2 shows invoices related to this case incurred up to the
9 time of filing. We propose to provide invoices to ACC Staff for all additional rate case
10 related expenses for final determination of rate case expense.
11

12 **Depreciation (Schedule A-11.0).** Annual depreciation rates were applied to
13 December 31, 2007 plant balances for transmission plant and distribution plant to
14 determine adjusted depreciation expense for these plant categories. Accelerated
15 depreciation for AMR meters booked in account 370 began in July 2007. Assuming
16 accelerated depreciation for a full 12 months on a go forward basis largely increased the
17 adjusted depreciation expense for distribution plant. For General Plant accounts,
18 depreciation expense for the month of December 2007 was annualized to determine the
19 adjusted depreciation expense. The adjusted test year depreciation expense of \$7,574,650
20 results in an adjustment of \$382,541.
21

22 **Property Taxes (Schedule A-12.0).** Adjusted property taxes of \$252,939 were
23 computed by applying an effective tax rate, based on the 2007 taxes paid as a percentage
24 of the 1/31/07 plant balance, to the 12/31/2007 plant in service. This schedule also shows
25
26

1 the test year property tax expensed to each O&M account. These test year amount
2 expensed of \$206,332 is removed from the individual accounts and the adjusted test year
3 expensed is reclassified into the property tax account for the purpose of accurately
4 allocating this expense to plant. This adjustment is shown in the "other" column on
5 schedule A-3.0.
6

7 **Payroll Taxes (Schedules A-13.0 through A-13.3).** Adjusted payroll-related
8 taxes for FICA and Federal and State Unemployment were calculated by applying the
9 applicable tax rate to adjusted wages subject to payroll taxes. The test year payroll tax
10 expensed ratio of 61.217% (Schedule C-6.1) was applied to total adjusted payroll taxes
11 amount to calculate adjusted payroll taxes expensed. The adjustment is an increase to test
12 year expense of \$70,531. The test year expense by account and distribution of the
13 adjustment by account is shown on Schedule A-3.3.
14

15 **Interest on Long-Term Debt (Schedule A-12.0).** The adjusted interest on long-
16 term debt of \$6,994,249 was calculated by applying the applicable interest rate to the
17 principal outstanding as of 12/31/2007 plus the draw down of \$10,067,666 of CFC debt
18 since the end of the test year. An anticipated CFC draw of \$18,000,000 at 4.9% to occur
19 in 2008 was included in the adjustment calculation. The adjustment increased interest on
20 long-term debt expense by \$1,194,141.
21

22
23 Q. ARE THE ADJUSTMENTS THAT HAVE BEEN MADE TO THE TEST YEAR
24 RELATED TO ACTIVITIES THAT ARE KNOWN, MEASURABLE OF A
25 CONTINUING NATURE?
26

1 A. Yes. The adjustments that have been made are intended to provide an accurate reflection
2 of the Cooperative's revenues and expenses that should be recovered.
3
4 **Q. WHAT IS THE OVERALL IMPACT OF THE ADJUSTMENTS MADE TO THE**
5 **TEST YEAR?**
6 A. The overall impact of the revenue and expense adjustments is to reduce the operating
7 margin by \$1,281,458 as reflected in column (c) of Schedule A-1.0. The adjusted test
8 year Operating TIER is 0.82 and the DSC is 1.48.
9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**
10 A. Yes, it does.
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

EDUCATION:

MBA, Oklahoma City University, 2002
B.S.B., International Business, Oklahoma City University, 1999

EXPERIENCE RECORD:

2005 – Present C. H. Guernsey & Company, Oklahoma City, Okla.
1999 - 2004

Areas of responsibility include development of revenue requirements, cost of capital, cost of service, accounting issues, rate design, and financial forecasts for electric, water, and wastewater utility systems. Ms. Payne assists project managers in the preparation of rate filings and cost of service studies.

2004 – 2005 Video Professor, Inc., Lakewood, Colo.

Ms. Payne worked as a Financial Analyst providing information to upper management to aid in making business decisions. She prepared and monitored reports on key elements of the business model to identify problem areas. She assisted in budget preparation for multiple business segments and maintained updated forecasts to monitor deviations from the budget. She also provided financial viability analysis that helped measure success of marketing projects.

SPECIFIC CONSULTING EXPERIENCE:

Cost of Service and Rates

Ms. Payne develops Cost of Service and Rate Analysis for electric cooperatives and municipals by defining the appropriate revenue requirement and allocating plant investment and operation and maintenance expenses to each rate class. She then uses the Cost of Service study to examine the extent to which costs are being recovered by existing rates and, if necessary, develops new rates to recover revenue requirement and appropriate costs. The following are projects on which Ms. Payne has been involved:

Arkansas

- Ozarks Electric Cooperative Corp., Fayetteville

Colorado

- San Luis Valley REC, Monte Vista
- Y-W Electric Association, Akron

Kansas

- Ark Valley ECA, Hutchinson

Nebraska

- Dawson County PPD, Lexington

Oklahoma

- Caddo Electric Cooperative, Binger
- Cimarron Electric Cooperative, Kingfisher
- Tri-County Electric Cooperative, Hooker

Texas

- Bandera Electric Cooperative, Bandera
- Bluebonnet Electric Cooperative, Giddings
- Cooke County ECA, Muenster
- Deaf Smith Electric Cooperative, Hereford
- Grayson-Collin Electric Cooperative, Van Alstyne
- Guadalupe Valley Electric Cooperative, Gonzales
- Jackson Electric Cooperative, Edna
- Karnes Electric Cooperative, Karnes City
- Magic Valley Electric Cooperative, Mercedes
- Medina Electric Cooperative, Hondo
- North Plains Electric Cooperative, Perryton
- Nueces Electric Cooperative, Robstown
- Southwest Texas Electric Cooperative, El Dorado
- Swisher Electric Cooperative, Tulia
- Taylor Electric Cooperative, Merkel
- Tri-County Electric Cooperative, Azle
- United Cooperative Services, Cleburne
- Victoria Electric Cooperative, Victoria

Wyoming

- Powder River Energy Corporation, Sundance
- Wyrulec Company, Lingle

C.H. Guernsey and Company

Invoice Number	Invoice Date	Invoice Amount
99294	3/31/2008	6,962.35
99470	4/14/2008	14,510.00
99673	5/19/2008	22,055.00
Total		43,527.35

Snell and Wilmer, LLP

Invoice Number	Invoice Date	Invoice Amount
All Invoices	As of 6/23/08	\$76,084.25

**PROPOSED AMENDMENTS TO SERVICE CONDITIONS FROM
JUNE 30, 2008 APPLICATION – DOCKET NO. E-01575A-08-0328**

2.3.4 IDENTIFICATION OF RESPONSIBLE PARTY (Page 8 - Staff)

Any Person responsible for accounts in the name of any Customer shall be established in a manner acceptable to SSVEC. Any Person applying for Electric Service to be connected in the name of or in care of another Customer shall furnish to SSVEC notarized written approval from ~~that~~the billed Customer guaranteeing payment of all bills under the account. Application for service for a minor shall be allowed when payment is assured by a written guarantee from a responsible adult Customer. The Customer is responsible in all cases for service supplied to the Premises until SSVEC has received three (3) business days' Notice of the effective date of any change in the service Agreement. The Customer shall also promptly notify SSVEC of any change in billing address.

2.5.6 SERVICE CALLS DURING REGULAR BUSINESS HOURS (Page 14 - Staff)

Service charges as provided in SSVEC's approved Tariffs shall be imposed for service calls performed during regular business hours for one of the following reasons:

A. Interruptions caused by the Customer's negligence or failure of Customer-owned equipment. Reasonable efforts will be made to advise the Customer about the responsibility of such charges before the service call starts.

2.16.3 PREPAID METERING SERVICES (Page 22 - Staff)

Pre-paid metering is a payment option that SSVEC may offer to its members. Pre-paid metering provides more payment flexibility to its members and is known to reduce deposits, eliminate late charges and help members better manage bills, and works to reduce administrative and collection costs for the Cooperative. Customers may contact SSVEC offices for additional information.

2.16.4 ELECTRONIC/PAPERLESS BILLING (Page 23 - SSVEC)

SSVEC may offer an electronic/paperless billing program. A Customer may elect to receive their Electric Service bill, as well as other SSVEC Notices and Member communications, via an electronic medium such as, but not limited to, web-site and email. A Customer who elects to receive their Electric Service bill electronically, may not receive a paper/hard copy bill or Notices via U.S. mail. A Customer may elect electronic billing through SSVEC's website wherein the Customer shall acknowledge and

agree to be bound by the terms and conditions of the program. It is the Customer's responsibility to provide to SSVEC, and to maintain, a current and correct email address. A Customer of the program may discontinue participation under the program upon 30 Days Notice to SSVEC. SSVEC may discontinue the program at any time upon 30 Days Notice to Customers.

2.17 INSUFFICIENT FUNDS (NSF) OR RETURNED PAYMENTS (Page 24 - SSVEC)

A. SSVEC shall be allowed to charge a fee in accordance with its Tariffs for each instance where a Customer tenders payment for Electric Service with a check or other financial instrument (including a credit card) which is returned by the Customer's bank or financial institution for insufficient funds.

B. When SSVEC is notified by the Customer's bank or other financial institution that the check or financial instrument tendered for the Electric Service will not clear, SSVEC may require the Customer to make payment in cash, by money order, certified check, or other means which guarantees the Customer's payment to SSVEC.

C. A Customer who tenders an insufficient check or financial instrument shall in no way be relieved of the obligation to render payment to SSVEC under the original terms of the bill nor does it defer SSVEC's ability to terminate Electric Service for nonpayment of bills.

D. SSVEC may require guaranteed funds (cash, money order, certified check or credit card) from a Customer who has paid with an insufficient check or financial instrument three (3) or more times within a twelve (12) month period.

2.20.3 TERMINATION OF ELECTRIC SERVICE WITH NOTICE (Page 27 - Staff)

A. **With the exception of Customers falling under A.A.C. R14-2-211.5,** SSVEC may disconnect Electric Service to any Customer for any reason stated below provided SSVEC has met the Notice requirements established by the ACC:

3.6.3 METER TESTING REQUESTED BY THE CUSTOMER (Page 33 - Staff)

Any Customer may request a test on a Meter that is in the Customer's name and billed to the Customer. Test request forms are available at each SSVEC office which the Customer shall sign. The applicable service charge and Meter test charge for Service calls during regular business hours shall also be made in accordance with SSVEC's Tariffs. **If the Meter is more than 3% inaccurate, averaged between light and heavy**

load tests, all charges shall be waived, and the Customer's bill for that meter shall be adjusted accordingly for the three (3) immediately previous billing periods before Meter removal.

The Meter shall be tested in the Meter shop before any adjustments are made, and if practical, before the Meter cover is removed. The Customer or a Customer representative may be present when the Meter is tested, but this must be stated in writing at the time the test request is made. If requested to do so, SSVEC personnel shall attempt to arrange a test during regular business hours with the Customer present. If, 30 Days after Meter removal, SSVEC has been unable to arrange such a test because of failure on the Customer's part to attend the test, SSVEC shall test the Meter without the Customer being present. The Customer shall be notified of the results of the test by mail within a reasonable time after the test has been completed.

4.3 OWNERSHIP (Page 34 - SSVEC)

SSVEC shall own all materials, equipment, and structures that it furnishes and installs. Lines and other Service facilities for which the Customer pays a deposit, Advance-in-Aid-of-Construction, or Contribution-in-Aid-of-Construction shall be owned by SSVEC. Equipment, materials, or facilities furnished to SSVEC specifications by the Customer for its use shall be owned by Customer. Transformers and facilities ~~owned by the Customer~~ for Electric Service provided under schedules SP and P for abnormal loads shall be owned by the Customer. Where individual or unusual substation installations are required to serve the Customer, SSVEC reserves the right to require the Customer to make (at the Customer's expense) the necessary, complete installation (consisting of transformer, structure, protective devices, etc.) required to provide adequate Electric Service to the Customer, and, in such event, the Customer will own, operate, and maintain said installation but will benefit by incurring a savings of capacity charges as part of the rate.

EXHIBIT A

7. SERVICE ENTRANCE CONDUCTORS: (Page A-4 - SSVEC)

General. No conductor larger than ~~4000~~**750** kcmil, no more than ~~four~~**six** conductors per phase and no conduit larger than six inch trade size shall be used. For services requiring larger conductor or conduit, approved bus duct shall be used.

EXHIBIT D

3. SERVICE ENTRANCE SECTION: (Page D-1 - SSVEC)

A free-standing service entrance section, conforming to EUSERC specifications, mounted on a concrete pad or floor shall be furnished and installed by the customer or contractor on all services from ~~401~~801 to 3000 amperes. A free-standing service entrance section is ~~acceptable~~preferred, but not required, for services rated ~~less than~~from 401 to 801 amperes.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF THE
9 APPLICATION OF SULPHUR
10 SPRINGS VALLEY ELECTRIC
11 COOPERATIVE, INC. FOR A
12 HEARING TO DETERMINE THE
13 FAIR VALUE OF ITS PROPERTY
14 FOR RATEMAKING PURPOSES,
15 TO FIX A JUST AND REASONABLE
16 RETURN THEREON, TO APPROVE
17 RATES DESIGNED TO DEVELOP
18 SUCH RETURN AND FOR
19 RELATED APPROVALS.

DOCKET NO. E-01575A-08-_____

20 **PRE-FILED DIRECT TESTIMONY OF JACK BLAIR**

21 **ON BEHALF OF**

22 **SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**

23 **JUNE 30, 2008**
24
25
26

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is John ("Jack") Blair, Jr. My business address is 311 East Wilcox
3 Drive, Sierra Vista, AZ 85635.

4
5 Q. MR. BLAIR, BY WHOM ARE YOU EMPLOYED AND IN WHAT
6 CAPACITY?

7 A. I am the Chief Member Services Officer of Sulphur Springs Valley Electric
8 Cooperative, Inc. ("SSVEC" or "Cooperative").

9
10 Q. HOW LONG HAVE YOU BEEN WITH SSVEC?

11 A. I have worked for SSVEC since 2001.

12
13 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
14 WORK EXPERIENCE.

15 A. I have a B.A. in History from The Citadel and an M.A. in International Relations
16 from Boston University. For 7 years, I was a commissioned officer in the United
17 States Army. Following my discharge from the Army, I was with Procter &
18 Gamble ("P&G") for 11 years as a senior manager in sales/marketing/advertising.
19 I then spent 8 years as a senior manager in the wholesale food and consumer goods
20 business. I have spent the last 7 years in Member Services at SSVEC.

21
22 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?

23 A. I am testifying on behalf of SSVEC.

24 ...

25 ...

26 ...

1 Q. HAVE YOU BEEN AUTHORIZED TO TESTIFY ON BEHALF OF THE
2 COOPERATIVE?

3 A. Yes
4

5 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA
6 CORPORATION COMMISSION ("COMMISSION")?

7 A. Yes.
8

9 Q. IN YOUR CURRENT POSITION WITH SSVEC, WHAT ARE YOUR
10 DUTIES AND RESPONSIBILITIES?

11 A. My primary responsibility is to provide leadership to the Cooperative's Member
12 Services Department. I advise and assist the Chief Executive Officer ("CEO") in
13 formulating the Cooperative's objectives, programs, and policies for marketing,
14 sales, communications, economic development, energy conservation, and public
15 relations programs which are designed to improve SSVEC's operating costs and to
16 meet overall Cooperative goals. I attend all of the Board of Director meetings and
17 serve as the Cooperative's point of contact for governmental, civic, and private
18 organizations, including Fort Huachuca. I also have responsibility over SSVEC's
19 key accounts program that is designed to help support large commercial and
20 industrial accounts. I develop and coordinate energy and safety-related programs
21 that are beneficial to the Cooperative and its members including technical,
22 conservation, and power use information.

23 I am also responsible for the development, implementation, and supervision
24 of the Cooperative's economic development and Demand Side Management
25 ("DSM") programs. As such, I am responsible for the following programs:
26 Touchstone Energy® Efficient Home, energy efficiency audits, solar and

1 renewables, heat pumps, electric water heaters, low interest loan program, electric
2 fireplaces, surge protection, bond reduction for subdivisions, and model home
3 incentives. Finally, I act as the SSVEC representative on the cooperatives'
4 statewide Environmental Portfolio projects committee.

5
6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. The purpose of my testimony is to discuss SSVEC's DSM Program that is
9 attached to my testimony as Attachment A. Although many of the individual
10 programs that are included in SSVEC's DSM Program have already been
11 approved by the Commission, SSVEC is requesting, as part of its rate filing, that
12 the entire DSM Program be approved and eligible for cost recovery consistent with
13 the proposed recovery mechanism discussed below and in Attachment A. My
14 testimony will also discuss SSVEC's member information process that was
15 initiated to ensure that Cooperative members are informed about the facts and
16 circumstances of the proposed rate increase and how this informational process is
17 also utilized with our members in conjunction with our DSM programs.

18
19 **Q. WHAT STEPS HAS SSVEC TAKEN AND WHAT STEPS IN THE**
20 **FUTURE WILL THE COOPERATIVE TAKE TO INFORM ITS**
21 **MEMBERS OF THE PROPOSED RATE INCREASE?**

22 A. Since SSVEC is a member-owned cooperative, we feel it is essential that our
23 members are kept fully informed on Cooperative matters that impact them. For
24 example, in anticipation of SSVEC's plan to file for a rate increase in mid-2008,
25 SSVEC began the process of informing its members about the proposed increase.
26 Background information and the rationale behind the filing was: i) included in the

1 SSVEC annual report; ii) discussed at length by SSVEC's CEO at the
2 Cooperative's Annual meeting; and iii) covered at length with a front-page article
3 in three of the newspapers in the SSVEC service territory. It was also the subject
4 of an article in *Currents* magazine (SSVEC bi-monthly magazine mailed to all
5 members).

6 Once the Application for the rate increase is filed with the Commission,
7 SSVEC plans to discuss the filing with local media outlets throughout its service
8 territory, and the Cooperative will also develop a PowerPoint presentation that will
9 be made at many local civic group meetings. All of this will be done in addition to
10 future notice as required by the Commission. Finally, SSVEC's CEO plans to
11 discuss the filing at the three yearly SSVEC "Community Leaders Lunch."
12

13 **Q. IN YOUR CURRENT POSITION, HOW OFTEN, AND IN WHAT FORMS,**
14 **DO YOU INTERACT WITH SSVEC MEMBERS?**

15 **A.** I interact with our members on an almost daily basis as this is what I consider to
16 be the most important aspect of my job. The manner in which this contact occurs
17 is quite extensive. It includes telephone calls, appointments that our members
18 make with me to discuss issues or assistance requests, social interactions,
19 presentations to community groups, radio call-in programs and focus groups with
20 our members.

21 ...

22 ...

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1 **Q. WHAT ARE THESE FOCUS GROUPS AND WHY DO YOU CONDUCT**
2 **THEM?**

3 A. This is something that I learned during my tenure at P&G. In order to determine
4 what consumers want in terms of new products and product performance, a third
5 party who specializes in focus groups invites a representative cross-section of
6 consumers (usually about 10-20 in a group). The moderator then works with the
7 group in order to get it to discuss the issue at hand. Company representatives are
8 watching the focus group from behind a one-way mirror, and if they want to focus
9 in on a particular issue in more detail, they can communicate with the moderator
10 through an ear piece. These sessions are also taped. The information gathered from
11 these focus groups is combined with other focus groups and becomes the basis for
12 new products and product revamping. The same process is also used to develop and
13 approve commercials and product packaging as well. Focus groups are also used in
14 the field of politics in order to determine what voters are interested in and how to
15 get a message across.

16
17 **Q. HOW MANY FOCUS GROUPS HAVE YOU BEEN INVOLVED WITH?**

18 A. During my tenure at P&G and in the food industry, I have personally attended at
19 least 100 sessions and have viewed hundreds more on tape.

20
21 **Q. DO YOU CONDUCT FOCUS GROUPS FOR SSVEC IN YOUR CURRENT**
22 **POSITION?**

23 A. Yes, I do.

24 ...

25 ...

26 ...

1 **Q. DO YOU USE A MODERATOR FOR THESE FOCUS GROUPS?**

2 A. The first time I did a focus group at SSVEC, I did use a moderator. After that, I
3 have conducted them myself since there is a significant cost, and having seen
4 hundreds of them, I am very familiar with how to conduct them.
5

6 **Q. HOW MANY OF THESE FOCUS GROUPS HAVE YOU CONDUCTED AT**
7 **SSVEC?**

8 A. Several hundred. Some of them have been formal, but most of them have been
9 informal. Additionally, I often have one-on-one meetings with individual
10 members.
11

12 **Q. HOW DO YOU USE INFORMATION FROM THESE FOCUS GROUPS**
13 **TO BENEFIT SSVEC AND ITS MEMBERS?**

14 A. Let me provide a recent example that illustrates how this information is used to
15 benefit the Cooperative and its members. When the Commission adopted its
16 REST Rules and the Cooperative needed to develop its REST program to be filed
17 and approved by the Commission, we held a series of focus groups to determine
18 how SSVEC could make the REST program a success and improve upon the
19 current EPS program. During these series of meetings, the following programs
20 and improvements were discovered and developed based upon member input:

- 21 1. Even with a rebate of \$4 per watt, SSVEC members were not constructing
22 renewable energy projects. One of the ideas discussed was adding a low
23 interest loan program of \$2 per watt. This loan program made projects more
24 attractive and affordable for our members.
- 25 2. It is more cost effective to construct renewable energy projects for homes
26 when the homes are first being built, as opposed to existing homes being

1 retrofitted. During a focus group that was held with builders, we discovered
2 that by adding an incentive to the builder of \$1,500, it was more attractive
3 for the builder to build new dwellings with renewable technologies
4 incorporated into the home.

5 3. Our members wanted a fair portion of the REST tariff charge used within
6 the Cooperative's service territory that would directly benefit the members
7 and their community. This resulted in the school solar shade structure
8 program in which SSVEC is building 41 PV shade structures for all public
9 schools in SSVEC's service territory that will generate almost a megawatt of
10 electricity and save the schools (as a group) almost \$300,000 per year in
11 energy costs.

12 4. Continue the Habitat for Humanity program.

13 5. Our members are willing to pay fair and reasonable charges to support DSM
14 and renewable programs.

15 As a result of these focus groups, SSVEC was able to construct a REST
16 program that was approved by the Commission, was widely accepted by our
17 members, and will ultimately result in more renewable energy programs.

18 Another example relates to the Arizona Electric Power Cooperative Inc.
19 ("AEPCO") rate increase of several years ago. This was a complicated rate
20 increase over three (3) years with a fuel and purchase power adjuster. To ensure
21 that our members understood how this worked, SSVEC drafted up a series of
22 paragraphs that described the rate increase in a variety of ways and asked our
23 members to then explain what they had read and understood. As a result, SSVEC
24 was able to develop a one-page document that accurately reflected the AEPCO
25 rate increase and have it understood by our members.

26 ...

1 Another example is the DSM program that SSVEC is submitting as part of
2 its Application for a rate increase. To improve the current DSM program, SSVEC
3 talked to a wide variety of members from all rate classes to develop the new DSM
4 program. As a result, SSVEC developed a DSM program for all rate classes
5 versus the current one which is aimed only at residential members.
6

7 **Q. HAS SSVEC CONDUCTED ANY FORMAL SURVEYS OF ITS**
8 **MEMBERS?**

9 A. Yes. SSVEC recently participated in a survey with Touchstone Energy® in which
10 SSVEC participated with other electrical cooperatives in the United States. It was
11 called the 2007 National Survey on the Cooperative Difference. SSVEC has also
12 done its own surveys on several occasions that were conducted by Cochise
13 College.
14

15 **Q. WHAT WAS THE FEEDBACK FROM THESE FOCUS GROUPS IN**
16 **TERMS OF THE DSM PROGRAM?**

17 A. The overall feedback we received was that DSM programs were very popular with
18 our members but should be expanded to include all rate classes and more
19 programs. In addition, in some instances, members viewed DSM programs as
20 more important than renewable programs in that DSM programs save energy and
21 improve the environment and also decrease energy consumption, while reducing
22 energy bills.
23 ...
24 ...
25 ...
26 ...

1 Q. IN GENERAL, WHICH OF SSVEC'S CURRENTLY OFFERED
2 PROGRAMS DOES THE COOPERATIVE WISH TO CONTINUE AND
3 WHY?

4 A. Our members have strongly indicated that they want a variety of programs. All
5 rate classes want Time of Use ("TOU") rates available. The vast majority of
6 members want controlled rates and programs. All rate classes want incentives to
7 build energy efficient buildings and homes. SSVEC members also want programs
8 to make older buildings and homes more energy efficient. One of the most
9 popular SSVEC programs is energy efficient on-site inspections for both
10 businesses and homes. Energy savings tips delivered through SSVEC bill inserts
11 and SSVEC's bi-monthly magazine, *Currents*, are also very popular.
12

13 Q. YOUR MEMBERS INDICATED THAT THEY WANT TOU RATES. IS
14 SSVEC RECEIVING MORE REQUESTS FOR TOU RATES?

15 A. Yes. SSVEC has offered TOU rates for irrigation and about two years ago,
16 received Commission approval for a residential TOU. We have had a TOU rate
17 for irrigation which has been used by irrigators for some time now. Unfortunately,
18 the residential TOU didn't have many takers despite our advertising campaign.
19 However, with the recen. increases in gasoline and other fuel costs, many of our
20 members believe that electricity and natural gas rates can't be too far behind, and
21 we have seen an increase in inquiries regarding residential TOU. We have also
22 seen an increase in inquiries from businesses that can shift some of their
23 operations to later or earlier hours of the day.

24 ...

25 ...

26 ...

1 Q. HAS SSVEC SEEN AN INCREASE IN INQUIRIES REGARDING
2 CONTROLLED RATES?

3 A. Yes. SSVEC currently has a well received controlled rate program for our
4 irrigators. We have also had inquiries from businesses and from residential
5 members as to controlled rates. Although we do not currently have the technology
6 to offer controlled rates for our residential members, we are hoping to be in a
7 position in the future to submit a tariff to the Commission for such a rate.

8 Q. ARE TOU AND CONTROLLED RATES INCLUDED IN THE
9 COOPERTIVE'S TARIFFS?

10 A. Yes. We have filed TOU tariffs for all of our rate classes and controlled rate
11 tariffs for our irrigation customers.

12

13 Q. PLEASE DISCUSS SSVEC'S RESIDENTIAL DSM PROGRAMS. FIRST,
14 PLEASE DESCRIBE THE RESIDENTIAL ENERGY MANAGEMENT
15 PROGRAM.

16 A. This program provides energy consultation and advice to our members and to
17 builders relating to new home construction and home remodeling. In conjunction
18 with this program, we also conduct energy audits for our members and provide
19 advice on how they might reduce their home energy requirements. SSVEC is
20 requesting that the Commission authorize the continuation of this program and that
21 the program expenses be eligible for recovery.

22

23 Q. PLEASE TELL US ABOUT THE TOUCHSTONE ENERGY® EFFICIENT
24 HOME PROGRAM AND HOW IT IS CURRENTLY WORKING.

25 A. The Touchtone Energy® Efficient Home Program is one of our more popular
26 programs. In 2007, SSVEC inspected 306 homes in our service territory. Each

1 home is inspected at least twice during construction. The first inspection takes
2 place when the framing is completed and duct installation is in progress, and the
3 second, when the insulation is installed. This assists the builder by providing
4 quality control during construction. SSVEC estimates that each Touchstone
5 Energy® home saves about 11,000 per year in kWh usage over a home that is built
6 to minimum energy standards, or a savings of approximately \$100 per month.
7 SSVEC is requesting that the Commission continue to authorize this DSM
8 program as part of this rate case filing and that the costs associated with this
9 program be eligible for recovery.

10
11 **Q. PLEASE DESCRIBE THE ENERGY EFFICIENT WATER HEATER**
12 **REBATE PROGRAM.**

13 A. SSVEC currently offers a \$150 rebate for the installation of a replacement water
14 heater with an energy factor of .93 and tankless water heaters (the current average
15 energy factor for existing water heaters is .86). The average energy savings for
16 converting from a .86 to .93 is approximately \$72 per year or \$1,080 for the life
17 expectancy of the water heater. For new homes, the rebate offered is \$300 since
18 there are additional costs. This program is being offered based upon enormous
19 positive feedback that we received from our members. In 2007, SSVEC issued
20 114 water heater rebates. SSVEC is requesting that the Commission approve this
21 DSM program as part of this rate case filing and that the costs associated with this
22 program be eligible for recovery.

23 ...

24 ...

25 ...

26 ...

1 Q. PLEASE DESCRIBE THE ENERGY EFFICIENT NEW HOME OR
2 REMODEL REBATE PROGRAM.

3 A. SSVEC began offering these programs approximately two years ago in response to
4 feedback from our members. These programs are designed to stimulate and
5 increase the usage of more energy efficient appliances by our members. SSVEC is
6 requesting that the Commission approve this DSM program as part of this rate
7 case filing and that the costs associated with this program be eligible for recovery.
8

9 Q. PLEASE DESCRIBE SSVEC'S ENERGY EFFICIENT HEAT PUMP
10 REBATE PROGRAM.

11 A. SSVEC currently offers a \$500 rebate for the installation of a 14 SEER heat pump.
12 In 2007, SSVEC processed 196 heat pump rebates. A 14 SEER heat pump, as
13 compared to a normal 10 SEER heat pump, saves our members 54,000 kWh or
14 \$5,400 over the expected 12-year life expectancy of the heat pump. This rebate, in
15 conjunction with a low interest loan, encourages our members to install a more
16 energy efficient heat pump. SSVEC processed 14 heat pump loans in 2007. Not
17 only does this program save our members money, it helps reduce SSVEC's peak
18 demand since these units are typically running when SSVEC's peak energy costs
19 are higher. SSVEC is requesting that the Commission continue to authorize this
20 program and that the costs associated with this program be eligible for recovery.
21

22 Q. PLEASE DESCRIBE THE PROPOSED ENERGY EFFICIENT
23 IMPROVEMENT ("EEI") LOAN PROGRAM.

24 A. As part of our member interaction, we have determined that there are many homes
25 that were not built prior to the energy efficient standards that went into practice
26 15-20 years ago. It makes sense for both the member, as well as SSVEC, for these

1 homes to be upgraded but many members lack the funds necessary to make these
2 upgrades. SSVEC wants to expand the current EEI loan program to retrofit these
3 homes at a loan rate of three percent (3%). Loans will range from a minimum of
4 \$2,000 to a maximum of \$20,000 for residential members. Loans between \$2,000
5 and \$10,000 will be repaid in 36 months and those from \$10,001 to \$20,000 will
6 be repaid in 72 months. The improvements must meet the current prescriptive
7 requirements of the Touchstone Energy® Efficient Home on each portion of the
8 improvement. This includes attic insulation, wall insulation, windows, heating,
9 cooling (does not include evaporative cooling), and infiltration improvements.
10 Many of the older homes in the SSVEC service territory were built in the 1960s
11 through the 1980s and are owned by members on a fixed or a lower income, and
12 they cannot afford the upfront cost of these upgrades. However, the low-interest
13 loan makes possible these improvements thereby lowering their energy bills.
14 SSVEC is proposing to fund up to \$200,000 per year in low interest loans.
15 SSVEC is requesting that the Commission approve this DSM program as part of
16 this rate case filing and that the costs associated with this program be eligible for
17 recovery.

18
19 **Q. TURNING TO COMMERCIAL AND INDUSTRIAL ("C&I") PROGRAMS,**
20 **PLEASE DESCRIBE THE COMMERCIAL AND INDUSTRIAL ENERGY**
21 **MANAGEMENT PROGRAM.**

22 **A.** The cornerstone of the C&I program is based on communication with, and
23 information provided to, our customers to help them reduce their energy costs.
24 Our Key Account program provides the customers with regular detailed reports on
25 their usage and how it compares to the prior two or more years. Our Key Account
26 Manager prepares these reports and monitors their usage to look for unusual

1 changes in load profiles and to suggest options that will help them lower their
2 energy consumption. The program also includes rate comparisons and analysis
3 and a C&I newsletter that is sent via e-mail to our large C&I members. Members
4 value our expertise and unbiased recommendations to lower energy costs. SSVEC
5 is requesting that the Commission approve this DSM program as part of this rate
6 case filing and that the costs associated with this program be eligible for recovery.
7

8 **Q. SSVEC IS ALSO PROPOSING A NEW COMMERCIAL AND**
9 **INDUSTRIAL ENERGY EFFICIENCY IMPROVEMENT LOAN**
10 **PROGRAM. PLEASE DESCRIBE THIS PROGRAM.**

11 A. These C&I loans will also be offered at an interest rate of three percent (3%). The
12 loans will have the same standards as the residential program. Loan amounts will
13 range from \$4,000 to \$30,000. Loans between \$4,000 and \$10,000 will be repaid
14 in 36 months, and loans ranging from \$10,001 to \$30,000 will be repaid over 72
15 months. The business member will have to provide supporting documentation as
16 to the estimated percentage of improvement and savings which will in turn be
17 reviewed by SSVEC to ensure that the project makes economic sense. Many of
18 these buildings needing energy efficient upgrades were built in the 1970s and
19 1980s, and the buildings are owned by small businesses who cannot afford to
20 make the necessary upgrades without a low-cost loan program. SSVEC is
21 proposing to fund \$150,000 in business loans under this program. SSVEC is
22 requesting that the Commission approve this DSM program as part of this rate
23 case filing and that the costs associated with this program be eligible for recovery.

24 ...

25 ...

26 ...

1 Q. WHAT OTHER C&I PROGRAMS DOES SSVEC OFFER?

2 A. SSVEC is also offering to C&I members the Energy Efficient Water Heater
3 Rebate and Energy Efficient Heat Pump Rebate described above and is requesting
4 Commission approval to continue these programs and recover our eligible
5 expenses.

6
7 Q. DOES SSVEC CURRENTLY HAVE AN ADVERTISING PROGRAM FOR
8 ITS DSM PROGRAMS?

9 A. Yes. In order to build awareness and make our DSM program a success, the
10 various programs are advertised to our members. SSVEC is currently using TV,
11 radio, newspaper, community meetings, bill inserts, SSVEC Web site, and our bi-
12 monthly magazine, *Currents*. SSVEC intends to continue to use these methods.
13 SSVEC will also use these methods to communicate energy savings tips to all
14 SSVEC members. SSVEC is requesting that the Commission continue to
15 authorize the recovery of DSM advertising expenses.

16
17 Q. HOW DOES SSVEC CURRENTLY RECOVER ITS DSM PROGRAM
18 COSTS?

19 A. Per the Commission's last rate case Decision, SSVEC currently must have all of
20 its DSM programs for which it is seeking cost recovery, pre-approved by
21 Commission Staff. Once Staff pre-approves the program, SSVEC files semi-
22 annual reports with Staff detailing its program expenses. Once Staff approves the
23 expenses, they are eligible for recovery through SSVEC's fuel adjustor.

24 ...

25 ...

26 ...

1 Q. WHAT IS THE DOLLAR AMOUNT THAT SSVEC WILL SPEND EACH
2 YEAR ON ITS DSM PROGRAMS?

3 A. SSVEC's DSM program costs are approximately \$729,500.
4

5 Q. IS SSVEC PROPOSING A CHANGE IN THE WAY IT RECOVERS ITS
6 DSM PROGRAM COSTS?

7 A. Yes. SSVEC is proposing a modification to the existing recovery mechanism that
8 it believes is more streamlined and efficient for both the Cooperative and the
9 Commission.
10

11 Q. HOW DOES SSVEC PROPOSE TO RECOVER ITS DSM PROGRAM
12 COSTS IN THE FUTURE?

13 A. Since all members/rate classes benefit from this program, the costs should be
14 equally allocated among all members on an equal per kWh basis. The Cooperative
15 proposes to recover the costs of the DSM Program as follows:
16

- 17 • The first \$485,000 ("Base Amount") of the estimated cost shall be included
18 in SSVEC's base rates to be paid by members as a component of their
19 current energy charge. The Base Amount is derived from the Cooperative's
20 known and measurable DSM expenses included in the 2007 rate case Test
21 Year.
- 22 • All additional Commission Utilities Division-approved DSM Program
23 expenses above the Base Amount shall be recovered through the proposed
24 DSM Adjustment Tariff.

25 ...

26 ...

1 Q. WHAT IS THE PROCEDURE THAT SSVEC PROPOSES TO FOLLOW IN
2 ORDER TO RECOVER ITS COSTS THROUGH THE DSM
3 ADJUSTMENT TARIFF?

4 A. On or before October 1st of each year, SSVEC shall file with the Commission
5 Staff a DSM Program Report that details all DSM Program expenses above the
6 Base Amount for which SSVEC is seeking recovery through the DSM Adjustment
7 Tariff. On or before December 1st of each year, Staff shall issue its approval of
8 the expenses for which SSVEC is authorized to recover. If Staff does not respond
9 to the DSM Program Report filing by December 1st, the expenses shall be deemed
10 approved. SSVEC will then set/reset the DSM Adjustor as of January 1st of each
11 year.
12

13 Q. HOW WILL NEW DSM PROGRAMS BE APPROVED?

14 A. Similar to the existing pre-approval process, at such time that SSVEC seeks to
15 implement a new DSM program that the Commission or Staff has not approved or
16 pre-approved, SSVEC shall file with Staff each conservation or energy-efficient
17 program that includes the following information:

- 18 • Description of the program
- 19 • Purpose of the program
- 20 • Expected level of participation
- 21 • Expected kW and/or kWh savings
- 22 • Expected societal costs
- 23 • Plans for implementation, scheduling, monitoring and evaluation
- 24 • Anticipated advertising and marketing expenses
- 25 • Any customer rebates or other incentives
- 26

1 Staff shall issue its pre-approval for SSVEC to implement the new
2 program(s) within 45 days of the filing. If Staff does not respond to the filing
3 within 45 days, the filing shall be considered pre-approved and SSVEC may
4 commence offering the program. SSVEC may seek recovery of program costs
5 through its annual filing on or before October 1st of each year, as set forth above.
6

7 **Q. DO YOU HAVE ANY CONCLUDING REMARKS?**

8 A. Yes. SSVEC is very proud of its DSM programs, as well as its renewable
9 programs under its Commission-approved REST Implementation Plan. As I
10 discussed at the beginning of my testimony, these programs have been designed to
11 accommodate the needs and desires of our members. This helps to ensure they are
12 successful. Although most of the Cooperative's DSM programs set forth in
13 Attachment A have previously been approved by the Commission, the Cooperative
14 is taking this opportunity as part of its rate case filing, to ask the Commission to
15 review and approve all of its programs as set forth in Attachment A. SSVEC is
16 also requesting that the Commission approve the proposed modification to its
17 DSM expense recovery mechanism which the Cooperative believes will enhance
18 its ability to offer and expand its DSM program and ensure the timely recovery of
19 expenses.
20

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.
23
24
25
26

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ATTACHMENT A

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE INC.'S DEMAND SIDE MANAGEMENT PROGRAM

(Proposed June 30, 2008)

I. OVERVIEW

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") offers its members Demand Side Management ("DSM") programs to assist them in lowering their energy bills by utilizing less energy which benefits the member, the Cooperative, and the environment. SSVEC continues to add new programs, revise existing programs, and eliminate programs that are not successful. Changes in the Cooperative's DSM programs are the result of many focus groups with SSVEC members from all rate classes that have been held over the past several years.

The SSVEC Demand Side Management Program ("DSM Program") consists of the following programs:

A. Residential Programs

- Residential Energy Management
- Touchstone Energy® Efficient Home Program
- Energy Efficient Water Heater Rebates
- Energy Efficient New Home or Remodel Rebate
- Energy Efficient Heat Pump Rebate
- Energy Efficient Improvement Loan Program
- Time of Use Rate (tariffed)

B. Commercial and Industrial Programs

- Commercial and Industrial Energy Management
- Commercial and Industrial Energy Efficiency Improvement Loan Program
- Energy Efficient Water Heater Rebate
- Energy Efficient Heat Pump Rebate
- Time of Use Rates (tariffed)

C. Irrigation Programs

- Irrigation Energy Management (Time of Use/Control Rates – tariffed)

D. Advertising Program

Designed to make SSVEC members aware of the Cooperative's DSM programs in order to build awareness and to provide to members various energy savings tips.

II. DSM PROGRAMS

A. Residential Programs

The residential portion of the DSM Program consists of the following:

- **Residential Energy Management**
 - **Energy Consultations for New Home Construction.** Meet with member/builders to review house plans and make recommendations for energy efficiency, savings and comfort. Recommend energy efficient appliances. Run heat loss/heat gain calculations with the RBEP2 program to compare different types of heating and cooling options and sizing recommendations that benefit our members and reduce system demand.
 - **Remodel Consultations.** Provide advice on energy efficiency products, appliances and recommendations for energy efficient construction to upgrade existing homes. Perform heat loss/heat gain calculations to recommend heating and cooling sizing.
 - **High Bill and Energy Usage Audits.** These occur after the SSVEC customer service representatives have talked with the member and the meter readers have re-read the meter and attempted to satisfy the member. SSVEC residential energy experts listen to the member's concern and attempt to explain usage over the phone and help the member see what could have caused the high bill. If this is unsuccessful, they schedule an appointment to meet the member at the residence and read the meter to calculate daily usage and assist the member to determine what caused the high bill. SSVEC also has an on-line energy audit program on its website that enables members to conduct their own energy audits.

- **Touchstone Energy® Efficient Home Program.** These homes meet or exceed the model energy code when the prescriptive standards have been met. A heat loss and heat gain calculation has been performed for each new home. The home is inspected when the framing is completed, duct installation is in progress, and the insulation is installed. That is two to three separate inspections through the different stages of construction. Each of these homes contribute a yearly average savings of about 11,000 kWh over base homes and about \$100 per month. SSVEC also offers quality control during the construction process to ensure that the home performs as designed. Additional information regarding this program is set forth in the attached Appendix. This program will be a continuation of the current Commission-approved DSM program.
- **Energy Efficient Water Heater Rebates.** SSVEC offers a \$150 one-time rebate for the installation of a replacement electric water heater (with an energy factor of .93) and tankless water heaters. If the water heater is for a new home, the rebate is \$300. This program is currently not part of the Commission-approved DSM program. SSVEC is proposing to add this program to the approved DSM program. It will be funded initially at \$25,000 per annum and then adjusted yearly depending on participation levels. The funding level is based on the current cost of the program.
- **Energy Efficient New Home or Remodel Rebate.** SSVEC will offer a rebate program for new or retrofitted homes that are equipped with appliances that meet or exceed Energy Star ratings and Seasonal Energy Efficiency Ratings ("SEER") of 14 or above. The average home saves about 11,000 kWh per year and about \$100 per month. Since these appliances are more expensive, we are proposing a rebate of \$1,500 per home. This program is currently not part of the Commission-approved DSM program. SSVEC is proposing to add this program to the approved DSM program and that it be funded initially at \$250,000 per annum and then adjusted yearly depending on participation levels.
- **Energy Efficient Heat Pump Rebate.** SSVEC offers a rebate for new construction or retrofit for the installation of a 14 SEER electric heat pump. The yearly savings compared to a 10 SEER unit is 4,500 kWh (\$450) and 54,000 kWh (\$5,400) in the 12-year life expectancy of the heat pump. SSVEC is proposing that this program be funded at \$20,000 per annum and then adjusted yearly depending on participation levels. This program will be a continuation of the current Commission-approved DSM program.
- **Energy Efficiency Improvement Loan Program.** SSVEC proposes an Energy Efficiency Improvement ("EEI") loan program to improve existing homes. This program is targeted, but not limited to, homes built prior to 1980. Loans for upgrading attic insulation, wall insulation, windows, heating, cooling (except evaporative cooling), and infiltration improvements. Loans will be offered at 3% and will range between \$2,000 and \$20,000. Loans between \$2,000 and \$10,000 will be repaid in 36 monthly payments; loans over \$10,000 will be repaid over a

period of up to 72 months. The improvements made to the home must meet the current prescriptive requirements of the Touchstone Energy® Efficient Home Program on each portion of the improvement. Many of the older homes in our service territory were built in the 1970's and 80's and are owned by members on a fixed income or a lower income. These members cannot afford to pay for the energy efficient upgrades and the key method for improvement will be through the use of low-interest loans. We propose to fund \$200,000 in loans per year and adjusted yearly depending on participation levels. This program will be a continuation of the previous Commission-approved DSM program.

- **Time of Use Rate.** SSVEC offers a tariffed residential time of use rate to encourage consumers to shift their energy consumption to our "non-peak" periods thereby lowering our system peaking cost. By moving this energy consumption, we estimate a cost benefit to the Cooperative and its members of \$2,716 to \$4,104 (based on the 2007 TOU report to the Arizona Corporation Commission Staff.)

In total, SSVEC is proposing to fund the residential portion of the DSM Program at approximately \$495,000 per year.

B. Commercial and Industrial Programs

- **Commercial and Industrial ("C&I") Energy Management Program.** This program has both energy information/review and energy audit components as is marketed to members as part of its "Key Account Program." The Key Account Program provides C&I members with tools to monitor their energy with a monthly report. This report tracks the monthly consumption of kWh and demand with up to five years of history. Key economic drivers (kWh, kW, monthly cost, and average cost per day) are presented in graph form as part of the basic report. The reports can be customized at the request of the customer to include other comparisons that are important to the customer. These reports are distributed via e-mail to the CEO, CFO, and Energy Managers for their review. The SSVEC Key Account Manager also reviews the reports to look for opportunities for energy efficiency improvements and for potential problems due to equipment breakdown. (See attached Appendix for a sample Key Account Report Graphs.)

For example, one opportunity identified through this program was for the City of Sierra Vista to install power factor correction capacitors on three accounts. The capacitors were installed in August of 2004, and, as of the end of 2007, saved over \$43,500 by reducing the demand with a corrected power factor. Similar projects have been done with the Sierra Vista Hospital and the Sierra Vista School District. The Key Account Manager monitors over 350 electric accounts each month for our largest customers. The same report is available on request for any C&I customer. This program also includes (upon request) rate analysis to ensure the customer is on the best available rate based on the previous 12 months' usage history.

The Key Account Program also uses site audits as the next step in helping members with their energy usage. Site audits include the above reports as a baseline study.

The site survey identifies the customer's largest consumers of energy (not fuel specific) to determine if there are newer, more efficient ways to accomplish the task. There are also items such as infiltration and lighting upgrades that typically have a very quick return on investment. More detailed audits can be done based on the interest of the customer. In some cases, a recommendation to pursue a performance contract from a third party is appropriate. Audits range from 4-16 hours depending on the size and detail of the audit. Consumer interest in audits is proportional to increased cost of operation of the business.

The Key Account Program also includes a C&I newsletter that provides a variety of topics for their review. SSVEC contracts with Questline, who also provides a newsletter as well as a free research service to the C&I customers. Customers can ask almost any energy or business-type of question to their research staff and Questline responds with non-biased information. Questline does not sell any products or services to the customer. There are currently over 40 subscribers to the newsletter. Questline recently improved their ability to track the newsletter and have provided this summary.

Cumulative Effectiveness Snapshot - Since 2/18/2008		
Reader Retention	100.00%	Percentage of deliverable customers since 2/18/2008 that chose not to opt-out of the newsletter distribution.
Newsletter Interest	28.57%	Percentage of unique deliverable customers that viewed a newsletter since 2/18/2008.
Recurring Newsletter Interest	50.00%	Percentage of those customers who viewed a newsletter and viewed a subsequent issue. (Customers who opened multiple issues divided by customers who opened one issue.)
Detailed Content Interest	83.33%	Percentage of those customers who viewed a newsletter and then clicked deeper into specific tools, articles and resources. (Unique customers who clicked divided by unique customers who opened.)

The cost for Questline to provide the newsletter and the research service is only \$4,500 per year. Newsletter participation is available to those who supply us with an e-mail address. We have unlimited access for the research question service by phone or e-mail. A sample C&I newsletter is included in the attached Appendix. This program is currently not part of the Commission-approved DSM programs.

- Commercial and Industrial Energy Efficiency Improvement ("EEI") Loan Program.** SSVEC proposes a C&I EEI loan program for its business members. Loans for upgrading attic insulation, wall insulation, windows, heating, cooling (except evaporative cooling), and lighting upgrades. Loans will be offered at 3% and will range between \$4,000 and \$30,000. Loans ranging between \$4,000 and \$10,000 will be repaid in 36 monthly payments; loans over \$10,000, will be repaid on a schedule of up to 72 months. The C&I customer will have to provide supporting documentation as to the estimated percentage of improvement, which, in turn, will be reviewed by SSVEC to ensure that the project is economically viable. Many buildings needing energy efficient upgrades were built in the 1970s

and 1980s, and the buildings are owned by small businesses who cannot afford to make the necessary upgrades without a low-cost loan program. We propose to fund \$150,000 per year in loans. This program will be a new program that is not currently part of the Commission-approved DSM program.

- **Other Programs.** SSVEC will also offer to C&I members energy efficient water heater and heat pump rebates, as more fully described under Residential Programs above, as well as offer time of use rates as approved by the Commission in SSVEC's tariffs.

The total cost of the C&I portion of the DSM Program is anticipated to be \$154,500 per annum and will be adjusted yearly depending on the participation levels.

C. Irrigation Programs

- **Irrigation Energy Management.** SSVEC offers their member irrigators tariffed rates which are specifically designed for irrigation. These rates have different characteristics and savings built into them which allow the irrigator to choose the rate which is best for their needs. Because SSVEC is a summer-peaking utility, the energy purchased to meet the irrigation needs is high. Because the irrigators allow SSVEC to "shed load" by turning off their pumps, SSVEC can save money on demand costs for all members and then pass a portion of the savings on to our irrigation customers through lower rates.

In 2006, SSVEC designed a rate calculator for the irrigators to use so they could make their own decisions about which rate would work best for them. This was especially important as farmers in the area were planting different crops with changing water requirements. This calculator allows the irrigator to input basic information about their pumping facility, and it calculates the approximate cost to pump water based on the proposed crop. These numbers are approximate because there are certain unknowns about the pump motor. Another reason they are not exact is because of the changes in the AEPCO FPPCA. The calculator also helps the irrigator see the basic differences in costs between the rates. A sample of the Irrigation Rate Planner is contained in the attached Appendix.

D. Advertising

In order to build awareness of the DSM Program (which will be marketed under a branded name) and make it successful, the various programs must be advertised to our members. SSVEC is currently using TV, radio, newspaper, community meetings, bill inserts, SSVEC Web site, and our bi-monthly magazine, *Currents*. SSVEC will continue to use these methods. SSVEC will also use these methods to communicate energy savings tips to all SSVEC members.

SSVEC is proposing to spend \$80,000 per year on advertising.

III. COST AND COST RECOVERY

To implement the DSM Program, the total yearly estimated cost to SSVEC is \$729,500. Since all members/rate classes benefit from this program, the costs should be equally allocated among all members on an equal per kWh basis. The Cooperative proposes to recover the costs of the DSM Program as follows:

- The first \$485,000 ("Base Amount") of the estimated cost shall be included in SSVEC's base rates to be paid by members as a component of their current energy charge.
- All additional Commission Utilities Division-approved DSM Program expenses above the Base Amount shall be recovered through the DSM Adjustment Tariff.

Procedure for DSM Adjustor Recovery

On or before October 1st of each year, SSVEC shall file with the Commission's Utilities Division ("Staff") a DSM Program Report that details all DSM Program expenses above the Base Amount for which SSVEC is seeking recovery through the DSM Adjustment Tariff. On or before December 1st of each year, Staff shall issue its approval of the expenses for which SSVEC is authorized to recover. If Staff does not respond to the DSM Program Report filing by December 1st, the expenses shall be deemed approved. SSVEC shall then set/reset the DSM Adjustment Tariff as of January 1st of each year.

Procedure for Pre-Approval of New DSM Programs

At such time that SSVEC seeks to implement a new DSM Program that the Commission or Staff has not approved or pre-approved, SSVEC shall file with Staff each conservation or energy-efficient program that includes the following information:

- Description of the program
- Purpose of the program
- Expected level of participation
- Expected kW and/or kWh savings
- Expected societal benefits
- Plans for implementation, scheduling, monitoring and evaluation
- Anticipated advertising and marketing expenses
- Any customer rebates or other incentives

Staff shall issue its pre-approval for SSVEC to implement the new program(s) within 45 days of the filing. If Staff does not respond to the filing within 45 days, the filing shall be considered pre-approved and SSVEC may commence offering the program. SSVEC may seek recovery of program costs through its annual filing that will be made on or before October 1st of each year, as set forth above.

APPENDIX

Contents:

- Touchstone Energy® Home Program
- Touchstone Energy® Home Program Standards
- Key Account Report Graphs
- C&I Newsletter
- Irrigation Rate Planner

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Comfort. Savings. Efficiency.



Touchstone Energy[®] Home Program

SSVEC marketed the Good Cents energy building program in past years. The Good Cents program served its purpose well, and is still recognized as a symbol of energy efficiency and comfort. Consumer and regulatory authorities knowledge of energy efficient standards and construction practices has driven Good Cents to serve as a model from which most homes are constructed.

When a concept becomes a common or standard practice the benefit of continuing often becomes questioned. In addition, the owner of the Good Cents brand (Southern Company) is marketing additional products and services under the brand. Many of these products and services they offer are or will be competitive to SSVEC. Therefore, it is SSVEC's objective to develop and administer an energy efficiency home program that will increase the performance and energy efficiency of homes for customers and at the same time establish a home program exclusive to Touchstone Energy[®] Cooperatives.

These Touchstone Energy[®] Home Programs standards have been approved by SSVEC. They exceed the Good Cents standards and allow Touchstone Energy[®] Cooperatives to market an energy efficiency home program under its own identity.

Touchstone Energy® Home Program Standards

This program is available to all builders willing to comply with the new Touchstone Energy® Home Program standards set forth by SSVEC.

SSVEC's PROGRAM QUALIFICATIONS:

To qualify for Touchstone Energy® Home Program certification, new homes must meet or exceed SSVEC's prescriptive thermal criteria or the heat gain characteristics and incorporate five additional energy features into each home.

Prescriptive Standard

BUILDING ENVELOPE	DESCRIPTION	MINIMUM R & U-VALUES
Ceiling	With Attic	R-38
Ceiling	Roof Ceiling Combo	R-30
Sidewalls	Frame or Masonry	R-18
Sidewalls	Crawl space or Basement	R-13
Floor	Over crawl space or unheated basement	R-19
Concrete Slab *optional	Perimeter or Under slab	Optional
Window Glazing	Dual pane with thermal break or better	.45 u-value
Exterior Doors	Metal insulated or solid wood	
Infiltration Control	Seal joints and cracks with special attention to foundation sillplate, window and door frames, and utility penetrations.	.4 ACH

MECHANICAL SYSTEMS	DESCRIPTION	MINIMUM RATINGS
Heat Pump	Package or Split	14 SEER
A/C	Package or Split	14 SEER
Dual Fuel	Split Heat Pump with Gas Furnace	14 SEER Heat Pump and 80 % AFUE Gas Furnace
Gas Furnace	80% AFUE	80% AFUE
Electric Water Heating	Electric	EF = .93
Gas Water Heating	Gas Fired	EF = .62
Distribution System	Duct System requires R-6 insulation in all sections in unconditioned spaces and all joints must be mastic sealed	R-6 with 10% duct loss or less

(AND)

Select (five) of these energy saving features:

1. **Slab Insulation** (under slab or perimeter)
2. **Infiltration Control** (sealing all top plate penetrations, electrical boxes, and windows and doors.)
3. **14 SEER Electric Heat Pump**
4. **.93 Efficiency Electric Water Heating**
5. **Duct Work Located in Conditioned Area**
6. **Programmable Set-Back Thermostat**
7. **Dryer Exhaust Venting must not have any turns** (dryer located on outside wall)
8. **Mastic Sealed Duct Work** (supply and return)
9. **Multiple Returns With Controlled Fresh Air Intake**
10. **Dual Fuel System**
11. **Metal Sealed Return Plenums**

Split and packaged heat pumps certified must demonstrate a minimum SEER of 14 or greater. Minimum Heat Season Performance Factor (HSPF) must be 7 to qualify for incentives.

HVAC equipment will be sized per the Manual "J" calculation plus 6,000 Btu's or 25% whichever is less, or to the next available size.

New, improved, speculative and multi-family dwellings with less than 1,200 square feet do not have to have a maximum heat gain criteria. But, the maximum size heat pump allowed is 2 tons or 24,000 Btuh.

Walls

Cumulative R-value for exterior walls will be no less than R-18. All insulation should be installed according to manufactures recommendations. Fiberglass batts should be faced stapled to the studs. Fibrous batt insulation should not be cut short or cut long and forced/compressed into small areas. Fibrous batts should be cut around electrical boxes to minimize compression and split around plumbing and wiring. Wet spray cellulose will be cropped smoothly to prevent convective channels and void cavities between the insulation and sheetrock. Fiberglass may not be used as a packing material around window or doorframes, plumbing stacks or gaps in framing. These areas should be filled with a foam product or caulking.

Ceiling

R-values for various ceiling cavities depend on the area of space and construction techniques. Listed below are the various R-values for different ceiling/roof areas.

- Conventional Ventilated Attic – R-38 will be installed in all conventional ventilated ceiling areas. This R-rating can be reached by installing any combination of fibrous, cellulose or mineral wool insulation. Member services representatives should be consulted per blown application for approximate insulation thickness.
- Roof/Ceiling Combinations – A minimum R-30 insulation will be installed in roof/ceiling applications.
- Knee Walls – Knee walls will be insulated with a minimum R-19 insulation.
- Knee wall insulation should have a covering to keep the insulation in place without compressing it on the unconditioned side.

Attic Ventilation

Proper ventilation is essential for attic heat removal. The recommended method for attic ventilation is continuous ridge, bird-board, gable, turbine, and soffit vents. When bird boards are used, they should be installed in a manner where air will not decrease the R-value of the insulation.

Floor Insulation

Three foundation approaches are typical in this area for residential construction: open crawl spaces, enclosed crawl spaces and concrete slabs. Insulation requirements for each are outlined below.

- Enclosed Crawl Space – a minimum of R-19 faced batt insulation will be placed between the floor joist above the crawl space. Ground cover, vapor barrier, will reduce the evaporation of moisture from the ground into the crawl space. A 6-mil polyethylene vapor barrier must be installed with overlapping joints and 100% coverage.
- Concrete Slab –none required.
- Open crawl space – a minimum of R-19 faced batt insulation will be placed between the floor joist above the crawl space.

Windows

Windows must be double-pane and thermally improved or equivalent with a u-value of .45 or better and a shading co-efficiency of .36. A thermal break separates inside and outside pieces of the window frame with an insulating material. Windows constructed with a

thermal break are identified by a □~T.I.M.□ symbol. When a home faces east and west and 50% of the glass area is exposed to direct sunlight, it is recommended that the windows have a low □e□ coating. The low □e□ coating is an invisible metallic coating and/or Argon fill which allows sunlight to pass but blocks radiant heat. This microscopic low-e coating is applied to one of the inner glass surfaces of a sealed double-pane window, which keeps the inside window surface warmer in the winter.

Doors

Doors in the Touchstone Energy® Home Program should be metal insulated. Glass doors, French or sliding style, should meet the standards for conventional windows, double pane and thermally improved or better. Precautions should be taken in sealing the rough openings. Solid wood doors are allowed in limited use. Metal insulated doors are recommended for attic access entrances.

Infiltration Control

All exterior joints around windows, door frames, corner joints, and all penetrations, including but not limited to electrical, television and phone through the exterior building envelope must be caulked, gasketed, weather-stripped, or otherwise sealed. All sole plates must be caulked or have a sill sealer installed.

Fireplaces should have glass fronts or glass doors and combustion air should be ducted in from the outside. Chimney flues and fireplaces must have tight fitting dampers.

Outside vented exhaust fans with back draft dampers should be installed in all full bathrooms and kitchens.

Recessed lighting will be a UL Listed type that is airtight and rated for an insulated ceiling.

HVAC Equipment

HVAC equipment will be sized per the Manual □J□ calculation plus 6,000 Btu's or 25%, whichever is smaller, or to the next available size. Air source heat pumps and package systems (split and package) must be ARI rated with a minimum 14 SEER. It is recommended that all heat pumps have outdoor thermostats to control the supplemental heat operation. The outdoor thermostats should be staged on a balance point for each home. It is recommended that electric heat pumps 3.5 tons or smaller have 7 kW strip heat. For electric heat pumps in excess of 3.5 tons, it is recommended they have 10 kW strip heat.

NOTE:

Due to structural requirements, accepted building practices and optional construction techniques, variations in program recommendations may occur.

SSVEC reserves the right to refuse Touchstone Energy® Home Program qualifications of any dwelling and to change or modify the program as deemed necessary. SSVEC assumes no responsibility for quality of construction, material, equipment, appliances or workmanship. SSVEC will perform random inspections to verify compliance of program guidelines, but will not check the working functions of equipment, appliances, etc.

Heating and Cooling Applications

**Not fuel specific, must be 14 SEER for Heat Pumps and A/C
or 80% AFUE for gas.**

Cooking Applications

Not fuel specific.

Water Heating Applications

Not fuel specific, must be .93 for electric water heating, .62 for natural gas or propane.

Rebates and Incentives

The Touchstone Energy® Home Program currently offers rebates. When a new home in SSVEC's service area meets approved Touchstone Energy® Home Program standards, with an approved 14 SEER electric heat pump or .93 efficiency electric water heater, SSVEC may provide rebates. (Rebate programs may be subject to change at any time.) The Touchstone Energy® Home Program efficiency rebates will be administered by the same process as currently used. SSVEC will have the **flexibility** to rebate dollar amounts to appropriate, i.e. customer, HVAC contractor or builder /developer. However, SSVEC will only pay up to the current approved rebate amounts. Only one rebate will be paid for heat pumps and one rebate for electric water heaters per residence or an all electric home with an approved electric heat pump.

Procedure for the Home Builder

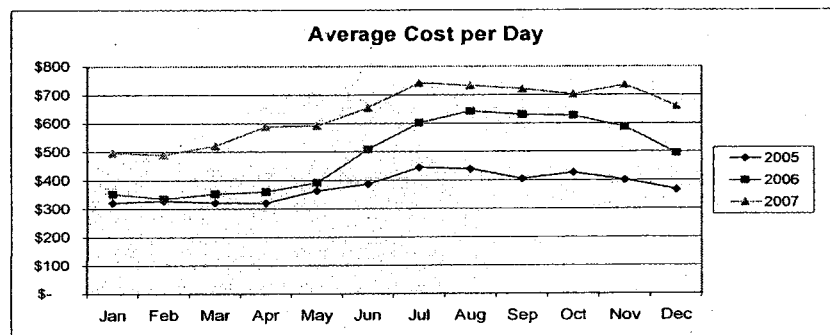
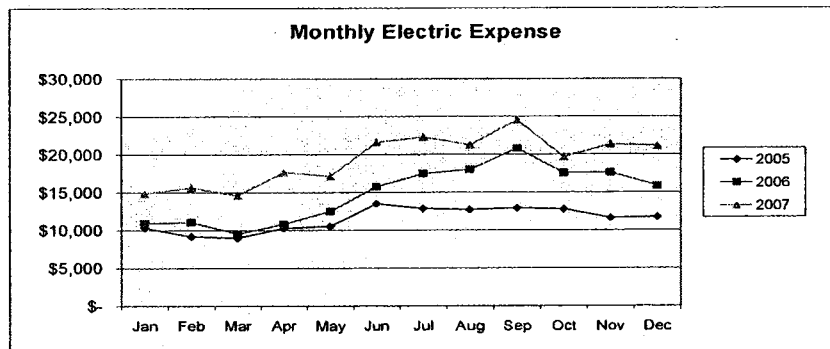
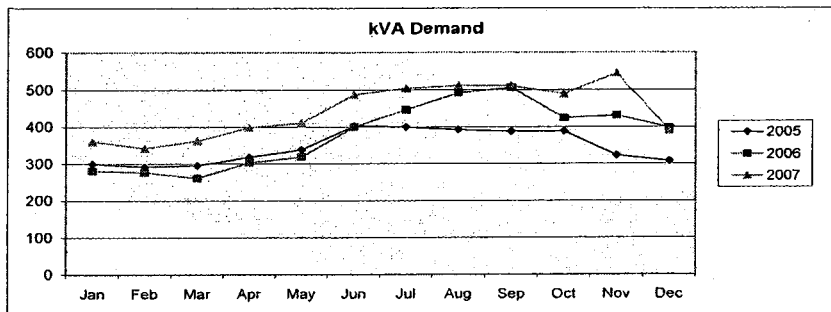
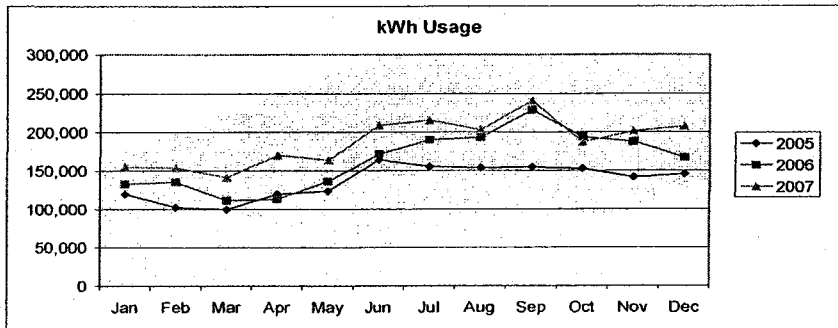
Sign the Builder Agreement to become a Qualified Touchstone Energy® Home Program Builder. SSVEC will supply home signs, stickers, completion sheets, logos and other necessary paperwork on disk for your use, and certificates for qualified homes. When beginning to build a home, send SSVEC a start sheet, plan, or blueprint for our records. Upon completion of the home, send SSVEC the Touchstone Energy® Home Program Completion and Certification Form. SSVEC will perform random inspections of homes.

Proposed changes in 2009 to promote higher energy efficiencies:

Electric water heater	.93
Gas water heater	.62
Flex duct	R-8
Window u-value	.45 with low-e

KEY ACCOUNT REPORT GRAPHS

Store Q-735-01



This report is to help you understand your energy bill from Sulphur Springs Valley Electric Cooperative Inc. If you would like different comparisons or modifications please request them by e-mail (dbane@ssvec.com) or fax(520-458-6860) or phone (520-515-3472) to David Bane.

Feedback from customers found that two full years of data and the current year are the right balance of graphed data.

Because the report is in an excel spreadsheet the customer is free to expand or add other data (such as sales or production levels) they feel is needed that helps them manage their costs.

One customer has asked to graph the electric cost per SqFt of retail space that is used to compare their operations with similar stores across the nation.

C&I NEWSLETTER

Your Sulphur Springs Valley Electric Cooperative Questline

Provided By:
David Bane
Key Accounts
Manager

In This Issue:

- [Pushing Away from the Table](#)
- [Progress Report on LEDs](#)
- [How Do They Do That? Golf Gadgets](#)
- [Daylighting How To's](#)
- [Optimum HVAC Operations for Schools](#)

5/15/2008



**Sulphur Springs Valley
Electric Cooperative, Inc.**
A Southern Energy Company

Pushing Away from the Table

America is wedded to fairly inefficient energy consumption practices and divorce is not an option.

[more...](#)

Progress Report on LEDs

Manufacturers have commercialized LEDs that have efficacies of 50-80 lumens per watt. A single LED can now output up to 400 lumens!

[more...](#)

How Do They Do That? Golf Gadgets

We've investigated some golf gadgets on the market that are claimed to improve the performance of your game.

[more...](#)

Daylighting How To's

Good daylighting practices include light shelves, skylights, clerestory windows, roof monitors, and sawtooth roofs.

[more...](#)

Optimum HVAC Operations for Schools

There are tradeoffs between increasing energy efficiency and meeting cooling loads and IAQ standards.

[more...](#)

Did you know?

Our no-cost Ask an Expert service is available to you at any time!

[more...](#)

Questline Is...

Energy Headline News

Up-to-date energy related pricing, news, and current events.

Ask an Expert

One-on-one technical consultation with industry experts.

Tools You Can Use

Efficiency & benchmark data by industry segment, Motor, HVAC, Fuel Cost, and other calculators.

eLibrary

Hundreds of archived articles, white papers, tips, and guides.

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Estimated Power Factor	0.84
Percent KVA of Power	122

Simply fill in the estimated power factor for the motor (we can calculate this from billing records if you don't have the data), the horsepower for the pump, and then the total hours you plan to pump by month. This sheet is for planning purposes only and is not intended to guarantee annual pumping costs and does not include taxes, fee's or wholesale power adjustments.

[illegible]

Rate CW & CD									
kWh tier 1	11,550	0.125	13,125	14,750	16,375	18,000	19,625	21,250	22,875

	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037	2037-2038	2038-2039	2039-2040	2040-2041	2041-2042	2042-2043	2043-2044	2044-2045	2045-2046	2046-2047	2047-2048	2048-2049	2049-2050	2050-2051	2051-2052	2052-2053	2053-2054	2054-2055	2055-2056	2056-2057	2057-2058	2058-2059	2059-2060	2060-2061	2061-2062	2062-2063	2063-2064	2064-2065	2065-2066	2066-2067	2067-2068	2068-2069	2069-2070	2070-2071	2071-2072	2072-2073	2073-2074	2074-2075	2075-2076	2076-2077	2077-2078	2078-2079	2079-2080	2080-2081	2081-2082	2082-2083	2083-2084	2084-2085	2085-2086	2086-2087	2087-2088	2088-2089	2089-2090	2090-2091	2091-2092	2092-2093	2093-2094	2094-2095	2095-2096	2096-2097	2097-2098	2098-2099	2099-2100	2100-2101	2101-2102	2102-2103	2103-2104	2104-2105	2105-2106	2106-2107	2107-2108	2108-2109	2109-2110	2110-2111	2111-2112	2112-2113	2113-2114	2114-2115	2115-2116	2116-2117	2117-2118	2118-2119	2119-2120	2120-2121	2121-2122	2122-2123	2123-2124	2124-2125	2125-2126	2126-2127	2127-2128	2128-2129	2129-2130	2130-2131	2131-2132	2132-2133	2133-2134	2134-2135	2135-2136	2136-2137	2137-2138	2138-2139	2139-2140	2140-2141	2141-2142	2142-2143	2143-2144	2144-2145	2145-2146	2146-2147	2147-2148	2148-2149	2149-2150	2150-2151	2151-2152	2152-2153	2153-2154	2154-2155	2155-2156	2156-2157	2157-2158	2158-2159	2159-2160	2160-2161	2161-2162	2162-2163	2163-2164	2164-2165	2165-2166	2166-2167	2167-2168	2168-2169	2169-2170	2170-2171	2171-2172	2172-2173	2173-2174	2174-2175	2175-2176	2176-2177	2177-2178	2178-2179	2179-2180	2180-2181	2181-2182	2182-2183	2183-2184	2184-2185	2185-2186	2186-2187	2187-2188	2188-2189	2189-2190	2190-2191	2191-2192	2192-2193	2193-2194	2194-2195	2195-2196	2196-2197	2197-2198	2198-2199	2199-2200	2200-2201	2201-2202	2202-2203	2203-2204	2204-2205	2205-2206	2206-2207	2207-2208	2208-2209	2209-2210	2210-2211	2211-2212	2212-2213	2213-2214	2214-2215	2215-2216	2216-2217	2217-2218	2218-2219	2219-2220	2220-2221	2221-2222	2222-2223	2223-2224	2224-2225	2225-2226	2226-2227	2227-2228	2228-2229	2229-2230	2230-2231	2231-2232	2232-2233	2233-2234	2234-2235	2235-2236	2236-2237	2237-2238	2238-2239	2239-2240	2240-2241	2241-2242	2242-2243	2243-2244	2244-2245	2245-2246	2246-2247	2247-2248	2248-2249	2249-2250	2250-2251	2251-2252	2252-2253	2253-2254	2254-2255	2255-2256	2256-2257	2257-2258	2258-2259	2259-2260	2260-2261	2261-2262	2262-2263	2263-2264	2264-2265	2265-2266	2266-2267
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Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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[illegible]

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
OP/Debt	1,040.40	1,344.31	1,244.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31	1,444.31</																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	

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DATE	DESCRIPTION	AMOUNT	BALANCE
10/1/01	OPENING BALANCE	0.00	0.00
10/1/01	DEPOSIT	100.00	100.00
10/2/01	WITHDRAWAL	50.00	50.00
10/3/01	DEPOSIT	75.00	125.00
10/4/01	WITHDRAWAL	25.00	100.00
10/5/01	DEPOSIT	150.00	250.00
10/6/01	WITHDRAWAL	100.00	150.00
10/7/01	DEPOSIT	200.00	350.00
10/8/01	WITHDRAWAL	150.00	200.00
10/9/01	DEPOSIT	100.00	300.00
10/10/01	WITHDRAWAL	50.00	250.00
10/11/01	DEPOSIT	125.00	375.00
10/12/01	WITHDRAWAL	75.00	300.00
10/13/01	DEPOSIT	175.00	475.00
10/14/01	WITHDRAWAL	125.00	350.00
10/15/01	DEPOSIT	225.00	575.00
10/16/01	WITHDRAWAL	175.00	400.00
10/17/01	DEPOSIT	275.00	675.00
10/18/01	WITHDRAWAL	225.00	450.00
10/19/01	DEPOSIT	325.00	775.00
10/20/01	WITHDRAWAL	275.00	500.00
10/21/01	DEPOSIT	375.00	875.00
10/22/01	WITHDRAWAL	325.00	550.00
10/23/01	DEPOSIT	425.00	975.00
10/24/01	WITHDRAWAL	375.00	600.00
10/25/01	DEPOSIT	475.00	1075.00
10/26/01	WITHDRAWAL	425.00	650.00
10/27/01	DEPOSIT	525.00	1175.00
10/28/01	WITHDRAWAL	475.00	700.00
10/29/01	DEPOSIT	575.00	1275.00
10/30/01	WITHDRAWAL	525.00	750.00
10/31/01	DEPOSIT	625.00	1375.00
11/1/01	WITHDRAWAL	575.00	800.00
11/2/01	DEPOSIT	675.00	1475.00
11/3/01	WITHDRAWAL	625.00	850.00
11/4/01	DEPOSIT	725.00	1575.00
11/5/01	WITHDRAWAL	675.00	900.00
11/6/01	DEPOSIT	775.00	1675.00
11/7/01	WITHDRAWAL	725.00	950.00
11/8/01	DEPOSIT	825.00	1775.00
11/9/01	WITHDRAWAL	775.00	1000.00
11/10/01	DEPOSIT	875.00	1875.00
11/11/01	WITHDRAWAL	825.00	1050.00
11/12/01	DEPOSIT	925.00	1975.00
11/13/01	WITHDRAWAL	875.00	1100.00
11/14/01	DEPOSIT	975.00	2075.00
11/15/01	WITHDRAWAL	925.00	1150.00
11/16/01	DEPOSIT	1075.00	2250.00
11/17/01	WITHDRAWAL	1025.00	1200.00
11/18/01	DEPOSIT	1175.00	2375.00
11/19/01	WITHDRAWAL	1125.00	1250.00
11/20/01	DEPOSIT	1275.00	2500.00
11/21/01	WITHDRAWAL	1225.00	1300.00
11/22/01	DEPOSIT	1375.00	2675.00
11/23/01	WITHDRAWAL	1325.00	1350.00
11/24/01	DEPOSIT	1475.00	2825.00
11/25/01	WITHDRAWAL	1425.00	1400.00
11/26/01	DEPOSIT	1575.00	2975.00
11/27/01	WITHDRAWAL	1525.00	1450.00
11/28/01	DEPOSIT	1675.00	3150.00
11/29/01	WITHDRAWAL	1625.00	1500.00
11/30/01	DEPOSIT	1775.00	3325.00
12/1/01	WITHDRAWAL	1725.00	1550.00
12/2/01	DEPOSIT	1875.00	3500.00
12/3/01	WITHDRAWAL	1825.00	1600.00
12/4/01	DEPOSIT	1975.00	3675.00
12/5/01	WITHDRAWAL	1925.00	1650.00
12/6/01	DEPOSIT	2075.00	3850.00
12/7/01	WITHDRAWAL	2025.00	1700.00
12/8/01	DEPOSIT	2175.00	3975.00
12/9/01	WITHDRAWAL	2125.00	1750.00
12/10/01	DEPOSIT	2275.00	4150.00
12/11/01	WITHDRAWAL	2225.00	1800.00
12/12/01	DEPOSIT	2375.00	4325.00
12/13/01	WITHDRAWAL	2325.00	1850.00

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	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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	2997	2998	2999	3000
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Rate of service charge	0.14	0.16	0.18	0.20	0.22	0.24	0.26	0.28	0.30
0.14	0.14	0.16	0.18	0.20	0.22	0.24	0.26	0.28	0.30
0.16	0.16	0.18	0.20	0.22	0.24	0.26	0.28	0.30	0.32
0.18	0.18	0.20	0.22	0.24	0.26	0.28	0.30	0.32	0.34
0.20	0.20	0.22	0.24	0.26	0.28	0.30	0.32	0.34	0.36
0.22	0.22	0.24	0.26	0.28	0.30	0.32	0.34	0.36	0.38
0.24	0.24	0.26	0.28	0.30	0.32	0.34	0.36	0.38	0.40
0.26	0.26	0.28	0.30	0.32	0.34	0.36	0.38	0.40	0.42
0.28	0.28	0.30	0.32	0.34	0.36	0.38	0.40	0.42	0.44
0.30	0.30	0.32	0.34	0.36	0.38	0.40	0.42	0.44	0.46

Year	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

[illegible]

Summary of Rate Comparison	
Rate CV =	22,139.82
Rate CD =	22,139.02
Rate CD-Large =	17,864.40
Rate IL =	43,432.00
Rate IS =	24,651.25
Rate IS and I-L =	
Rate P =	26,294.43
Rate Q# =	30,226.74
Rate PT =	15,624.03

Note: rate comparisons do not include any taxes, credits or surcharges

This worksheet is designed to help you determine which rate will work best based on the different amounts of water used by each well. Not all rates listed are available for irrigation accounts; they are there for reference only. Rate CD-Large has a minimum 100hp requirement.


Rate 1L must be used for at least 5 consecutive months as a optional no-difficult to rate 1L. After inserting your planned pumping hours the worksheet will check to see if 1-L will save you money for 5 or more months and display a total in the summary. If it does then request a written agreement to change from 1-L to 1-L for that period of time.

Rate CO-Large, Rate M, Rate CO, and Rate CW all require a written agreement.

This worksheet is for rate planning only and is not a guarantee of annual litigation costs. Billing will be based on actual h/w usage and demand during the normal billing cycle.

For the TOU rate it is assumed that all food will be off peak. By putting a value in the ON-PEAK input boxes you can see how a single shut off error can be

MISC	Rate	Q-to-Q	SSREG	rate
101			QD	
101			QW	
104			QD-Leave	
111			11	
115			15	
101			4	
5111 or 6103			05	



**Sulphur Springs Valley
Electric Cooperative, Inc.**
A Touchstone Energy Cooperative

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2

3 **COMMISSIONERS**

4 KRISTIN K. MAYES—Chairman
5 GARY PIERCE
6 PAUL NEWMAN
7 SANDRA D. KENNEDY
8 BOB STUMP

9 IN THE MATTER OF THE
10 APPLICATION OF SULPHUR SPRINGS
11 VALLEY ELECTRIC COOPERATIVE,
12 INC. FOR A HEARING TO DETERMINE
13 THE FAIR VALUE OF ITS PROPERTY
14 FOR RATEMAKING PURPOSES, TO
15 FIX A JUST AND REASONABLE
16 RETURN THEREON, TO APPROVE
17 RATES DESIGNED TO DEVELOP
18 SUCH RETURN AND FOR RELATED
19 APPROVALS.

DOCKET NO. E-01575A-08-0328

20

21 **PRE-FILED REBUTTAL TESTIMONY OF JACK BLAIR**

22 **ON BEHALF OF**

23 **SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**

24 **March 9, 2009**

25

26

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1 **I. INTRODUCTION**

2
3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is John ("Jack") Blair, Jr. My business address is 311 East Wilcox
5 Drive, Sierra Vista, AZ 85635.
6

7 **Q. MR. BLAIR, BY WHOM ARE YOU EMPLOYED AND IN WHAT**
8 **CAPACITY?**

9 A. I am the Chief Member Services Officer of Sulphur Springs Valley Electric
10 Cooperative, Inc. ("SSVEC" or "Cooperative").
11

12 **Q. DID YOU ALSO PRE-FILE DIRECT TESTIMONY IN THIS**
13 **MATTER ON BEHALF OF SULPHUR SPRINGS VALLEY**
14 **ELECTRIC COOPERATIVE, INC. ("SSVEC" OR THE**
15 **"COOPERATIVE").**

16 A. Yes.
17

18 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN**
19 **THIS PROCEEDING?**

20 A. The purpose of my rebuttal testimony is to set forth SSVEC's position with
21 respect to the 16 DSM/Renewable-related recommendations of Staff witness
22 Steve Irvine set forth in his direct testimony dated January 26, 2009. I will
23 address each of these 16 recommendations in the order they appear in Mr.
24 Irvine's direct testimony. I will also provide additional information to
25 augment SSVEC witness David Hedrick's rebuttal testimony regarding the
26 Cooperative's charitable contribution and sponsorship programs in relation to

1 the recommendation of Staff witness Crystal Brown to disallow such
2 expenses.

3
4 **II. STAFF'S DSM/RENEWABLE PROGRAM AND COST RECOVERY**
5 **RECOMMENDATIONS**

6 DSM Recommendation No. 1

7 **Q. STAFF HAS RECOMMENDED THAT SSVEC FILE A REVISED**
8 **VERSION OF ITS DSM PROGRAM DESCRIPTION HAVING**
9 **REMOVED REFERENCES TO THE TOU RATES AND**
10 **CONTROLLED RATE PROGRAM FOR IRRIGATORS AND MAKE**
11 **OTHER CONFORMING CHANGES WHEN FILING AN**
12 **APPLICATION FOR APPROVAL OF NEW DSM PROGRAMS.**
13 **DOES SSVEC ACCEPT THIS RECOMMENDATION?**

14 **A. Yes.**

15
16 DSM Recommendation No. 2

17 **Q. STAFF HAS RECOMMENDED THAT COSTS PRUDENTLY**
18 **INCURRED IN CONNECTION WITH COMMISSION-APPROVED**
19 **DSM ACTIVITIES BE RECOVERED ENTIRELY THROUGH A DSM**
20 **ADJUSTMENT TARIFF. DOES SSVEC ACCEPT THIS**
21 **RECOMMENDATION?**

22 **A. Yes.**

23 ...

24 ...

25 ...

26 ...

1 DSM Recommendation No. 3

2 Q. STAFF HAS RECOMMENDED THAT COMMISSION-APPROVED
3 DSM COSTS SHOULD BE ASSESSED TO ALL SSVEC ELECTRIC
4 CUSTOMERS AS A CLEARLY LABELED SINGLE LINE ITEM PER
5 KWH CHARGE ON CUSTOMER BILLS. DOES SSVEC ACCEPT
6 THIS RECOMMENDATION?

7 A. Yes.

8
9 DSM Recommendation No. 4

10 Q. STAFF HAS RECOMMENDED THAT SHOULD THE COMMISSION
11 APPROVE SSVEC'S RECOMMENDATION TO INCLUDE SOME
12 PART OF DSM PROGRAM EXPENSE RECOVERY IN BASE
13 RATES, THAT THE COMMISSION ALSO CLARIFY THAT A
14 NEGATIVE DSM ADJUSTOR MAY BE USED TO LOWER DSM
15 PROGRAM EXPENSE RECOVERY BELOW THE RATE
16 INCLUDED IN BASE RATES. WHAT IS SSVEC'S POSITION ON
17 THIS RECOMMENDATION?

18 A. SSVEC has agreed to accept Staff's DSM Recommendation No. 2 above that
19 the Cooperative recover prudently incurred DSM-related costs through a
20 DSM Adjustment Tariff. Therefore, the recommendation for a negative
21 DSM adjustor is moot.

22 ...

23 ...

24 ...

25 ...

26 ...

1 DSM Recommendation No. 5

2 **Q. STAFF HAS RECOMMENDED THAT SSVEC CONTINUE TO**
3 **REPORT ON DSM PROGRAM EXPENSES SEMI-ANNUALLY AS IT**
4 **DOES PRESENTLY DOES. DOES SSVEC AGREE WITH THIS**
5 **RECOMMENDATION?**

6 A. Yes. However, because i) the Cooperative has limited personnel; ii) in order
7 to more properly align our various compliance deadlines and other
8 obligations with the availability of our personnel; and iii) and consistent with
9 the new annual DSM adjustor filing recommendation discussed in
10 Recommendation No. 7 below; SSVEC proposes that SSVEC would file its
11 semi-annual DSM reports on March 1st and September 1st of each year. The
12 September 1st report will report DSM program expenses from January
13 through June and the March report will report DSM program expenses from
14 July through December.

15
16 DSM Recommendation No. 6

17 **Q. STAFF HAS RECOMMENDED THAT SSVEC FILE THE DSM**
18 **PROGRAM EXPENSE REPORTS IN DOCKET CONTROL AND**
19 **THAT SSVEC REDACT ANY PERSONAL INFORMATION SUCH**
20 **AS THE NAMES AND ADDRESSES ASSOCIATED WITH**
21 **CUSTOMERS PARTICIPATING IN DSM PROGRAMS. DOES**
22 **SSVEC ACCEPT THIS RECOMMENDATION?**

23 A. Yes.

24 ...

25 ...

26 ...

DSM Recommendations Nos. 7, 8 and 9

Q. IN DSM RECOMMENDATION NO. 7, STAFF HAS RECOMMENDED THAT SSVEC'S PROGRAM EXPENSE REPORTS INCLUDE CERTAIN DETAILED INFORMATION SET FORTH IN THE RECOMMENDATION AND THAT THE COOPERATIVE SUBMIT A FILING TO THE COMMISSION THROUGH DOCKET CONTROL BY APRIL 1st OF EACH YEAR THAT INCLUDES ITS PROPOSED NEW DSM ADJUSTOR RATE TO BE CONSIDERED AND ADJUDICATED BY THE COMMISSION IN OPEN MEETING. IN DSM RECOMMENDATION NO. 8 STAFF HAS RECOMMENDED THAT SSVEC'S DSM ADJUSTOR RATE BE RESET ANNUALLY ON JUNE 1st OF EACH YEAR AND PROVIDES THE METHODOLOGY FOR THE CALCULATION OF THE RESET. IN DSM RECOMMENDATION NO. 9, STAFF RECOMMENDS THAT THE NEW DSM ADJUSTOR RATE BECOME EFFECTIVE ON JUNE 1ST AFTER COMMISSION APPROVAL. AS THESE THREE RECOMMENDATIONS ARE ALL RELATED, WHAT IS SSVEC'S POSITION WITH RESPECT TO THESE RECOMMENDATIONS?

A. SSVEC will agree to report semi-annual DSM program expenses to include the information set forth in the recommendation. However, for the reasons that I discussed in my response to Recommendation No. 5 above, SSVEC proposes to file its program expense reports on March 1st (as opposed to April 1st) and September 1st of each year.

Regarding the annual reset of the DSM adjustor, SSVEC proposes that it be permitted to make its filing on March 1st, as opposed to April 1st as

1 recommended by Staff. The reason for this is twofold. First, SSVEC would
2 like to coordinate its DSM adjustor filing with its March 1st semi-annual
3 expense report filing, thereby having two DSM compliance deadlines instead
4 of three. Second, although SSVEC does not oppose per se Staff's
5 recommendation that the DSM adjustor be "considered and adjudicated by
6 the Commission at Open Meeting," SSVEC is concerned that two months
7 may not provide sufficient time for Staff to review the filing and prepare a
8 staff report and proposed order to meet the procedural requirements
9 necessary for the item to be considered on a May Open Meeting agenda.
10 Accordingly, SSVEC proposes that it file its adjustor reset on March 1st
11 which will provide additional time (as much as 90 days depending upon the
12 date of the Open Meeting) to ensure that the matter would be able to be
13 considered by the Commission at its May Open Meeting.

14
15 However, SSVEC believes that the Commission should treat the June 1st
16 reset date as a "hard" deadline. Although SSVEC has no objection to
17 providing the Commission with the opportunity to consider and adjudicate
18 the filing at Open Meeting as recommended by Staff, SSVEC has no control
19 as to whether a staff report and proposed order is prepared and filed in time
20 for the May Open Meeting. Given the additional 30 days of time that
21 SSVEC is willing to provide Staff for its review, SSVEC believes that it is
22 only appropriate that if the Commission does not approve the filing by June
23 1st, that the new adjustor will automatically become effective. SSVEC
24 submits this is appropriate for several reasons. First, it provides the
25 Commission the opportunity to consider and approve the matter at Open
26 Meeting to the extent Staff believes it is necessary and appropriate. Second,

1 with the additional 30 days that the Cooperative is proposing, Staff will have
2 sufficient time to review the filing and make its recommendation to the
3 Commission. If however, Staff is unable to review the filing in a given year,
4 or, after reviewing the filing determines that it is not necessary that the matter
5 be adjudicated by the Commission, SSVEC will not be placed at a
6 disadvantage by having to wait to recover additional program expenses (or
7 reduce the adjustor if appropriate) until such time that Staff and the
8 Commission act on the filing, which is completely outside of the
9 Cooperative's control. Should this occur, the Commission would still have
10 another opportunity the next year to "true-up" the adjustor to take into
11 consideration the two years that had gone by, as opposed to one year.
12 SSVEC submits that under current circumstances, this is a reasonable and
13 fair modification to the Staff recommendation.
14

15 DSM Recommendation No. 10

16 **Q. STAFF HAS RECOMMENDED THAT SSVEC SUBMIT PROPOSED**
17 **DSM PROGRAMS TO THE COMMISSION FOR APPROVAL. DOES**
18 **SSVEC ACCEPT THIS RECOMMENDATION?**

19 A. Yes. However, in order to be able to move forward and promote DSM
20 programs more quickly, SSVEC should have the ability to commence
21 offering new DSM programs prior to Commission approval and report those
22 expenses as part of its semi-annual reports. If, however, the program is not
23 subsequently approved by the Commission, SSVEC would not be permitted
24 to recover such new program expenses. Upon approval of the program,
25 SSVEC would be permitted to recover Commission-approved new program
26

1 expenses through its DSM adjustor trued-up to the date it started offering the
2 program at the next annual reset.

3
4 DSM Recommendation No. 11

5 **Q. STAFF HAS RECOMMENDED THAT SSVEC FILE A NEW**
6 **(ADDITIONAL) APPLICATION REQUESTING APPROVAL OF**
7 **THE NEW DSM PROGRAMS PROPOSED BY SSVEC IN THIS**
8 **RATE CASE APPLICATION. WHAT IS SSVEC'S POSITION**
9 **REGARDING THIS RECOMMENDATION?**

10 A. As the Commission knows, SSVEC has been very proactive with its DSM
11 programs and is, in fact, the only Arizona distribution cooperative that has
12 offered DSM programs. SSVEC filed its application in this case on June 30,
13 2008, and the Staff found the application to be sufficient on July 30, 2008.
14 Included with that application were requests for approval of three (3) new
15 DSM programs. They are the Energy efficient Water Heater Rebates,
16 Commercial and Industrial Energy Efficiency Improvement Loan Program,
17 and Energy Efficient New Home or Remodel Rebate (collectively "New
18 DSM Programs"). On December 23, 2008, SSVEC responded to Staff data
19 requests regarding its DSM programs and provided additional information
20 regarding the New Programs. In Mr. Irvine's testimony, he recommends that
21 SSVEC re-file the New DSM Programs to allow an opportunity for gathering
22 of information and consideration of the new programs in greater detail"¹ and
23 then lists additional information that should be included in the filing.

24
25

¹ Direct Testimony of Steve Irvine at page 16, lines 14-15.
26

1 Following the filing of Mr. Irvine's testimony and a meeting between the
2 Cooperative and Staff, on February 20, 2009, SSVEC provided additional
3 information to Staff responsive to the concerns raised by Mr. Irvine in his
4 testimony. Because the Cooperative believes the New DSM programs will
5 be very effective with its members, SSVEC would like to start offering these
6 programs and be eligible to recover the expenses associated therewith as
7 soon as possible. As the New DSM Programs have been on file with the
8 Commission since June 30, 2008, and with all of the additional information
9 that SSVEC has since provided, the Cooperative is hopeful that Staff will be
10 able to review and recommend approval of the New DSM Programs as part
11 of this rate case application. Otherwise, SSVEC must effectively "start over"
12 and be delayed even further before being able to offer these New DSM
13 Programs.

14
15 Given what I understand to be various recent pronouncements by some of the
16 Commissioners regarding their respective support and the need for the
17 proliferation of DSM programs in Arizona, SSVEC would be willing to work
18 with Staff in the time remaining prior to the April 21, 2009, hearing in this
19 matter, to provide any further information that it might require in order for
20 Staff to provide its recommendations in time for the hearing. Moreover, in
21 furtherance of this, and because SSVEC understands how busy Staff is at this
22 time, SSVEC would agree that Staff could provide written or oral
23 supplements to its testimony regarding the New DSM Programs up to, and
24 including, the time it presents its case at the hearing, to provide any revised
25 recommendations regarding the New DSM Programs.

26 ...

1 DSM Recommendation No. 12

2 **Q. STAFF HAS RECOMMENDED THAT THE INITIAL DSM**
3 **ADJUSTOR RATE BE SET TO RECOVER PRUDENTLY**
4 **INCURRED DSM PROGRAM COSTS ASSOCIATED ONLY WITH**
5 **APPROVED PROGRAMS PRESENTLY IN PLACE. DOES SSVEC**
6 **ACCEPT THIS RECOMMENDATION?**

7 A. Yes.

8
9 DSM Recommendation No. 13

10 **Q. STAFF HAS RECOMMENDED THAT PRUDENTLY INCURRED**
11 **COSTS ASSOCIATED WITH APPROVED DSM PROGRAMS THAT**
12 **HAVE BEEN FACTORED INTO THE WPCA ACCOUNT BALANCE**
13 **REMAIN IN THE WPCA ACCOUNT BALANCE. DOES SSVEC**
14 **ACCEPT THIS RECOMMENDATION?**

15 A. Yes. The way SSVEC understands this would work is that any previously
16 approved DSM program expenses that have not as yet been fully recovered
17 through the WPCA would remain in the WPCA and continue to be recovered
18 in that manner. With respect to 2007 and 2008 program expenses that are
19 currently being reviewed by Staff for approval pursuant to SSVEC's last rate
20 case decision (No. 58358); these expenses would also be recovered through
21 the WPCA once approved. All 2009 approved program expenses would be
22 reported and potentially recoverable through the new DSM adjustor.

23 ...

24 ...

25 ...

26 ...

1 DSM Recommendation No. 14

2 Q. STAFF HAS RECOMMENDED THAT THE DSM ADJUSTOR RATE
3 BE SET AT \$0.000256 PER KWH UNTIL THE ANNUAL RESET OF
4 THE ADJUSTOR. DOES SSVEC ACCEPT THIS
5 RECOMMENDATION?

6 A. Yes.

7
8 DSM Recommendation No. 15

9 Q. STAFF HAS RECOMMENDED THAT THE COMMISSION
10 AUTHORIZE AN ADJUSTOR MECHANISM FOR SSVEC TO
11 REPLACE THE REST SURCHARGE. DOES SSVEC ACCEPT THIS
12 RECOMMENDATION?

13 A. Yes.

14
15 DSM Recommendation No. 16

16 Q. STAFF HAS RECOMMENDED THAT SSVEC FILE WITH THE
17 COMMISSION A REST TARIFF WITH CONFORMING CHANGES
18 WITHIN 30 DAYS OF THE DATE OF THE DECISION IN THIS
19 CASE TO REFLECT RECOVERY THROUGH THE ADJUSTOR
20 RATHER THAN THROUGH THE SURCHARGE USED
21 PRESENTLY. DOES SSVEC ACCEPT THIS RECOMMENDATION?

22 A. Yes.

23 ...

24 ...

25 ...

26 ...

1 **III. RECOVERY OF EXPENSES ASSOCIATED WITH THE**
2 **COOPERATIVE'S CHARITABLE CONTRIBUTIONS AND**
3 **SPONSORSHIP PROGRAMS**

4 **Q. ON PAGE 20 OF THE DIRECT TESTIMONY OF CRYSTAL**
5 **BROWN, STAFF HAS RECOMMENDED DECREASING THE**
6 **COOPERATIVE'S OPERATING EXPENSES RELATED TO**
7 **CHARITABLE CONTRIBUTIONS AND SPONSORSHIPS BY**
8 **\$298,622 ON THE BASIS THAT THE COSTS ARE VOLUNTARY**
9 **AND NOT NECESSARY TO PROVIDE SERVICE. WHAT IS**
10 **SSVEC'S POSITION WITH RESPECT TO CHARITABLE**
11 **CONTRIBUTIONS AND SPONSORSHIPS IN RELATION TO THIS**
12 **PROPOSED ADJUSTMENT?**

13 **A.** SSVEC's disagreement with this proposed adjustment is discussed in the
14 rebuttal testimony of David Hedrick regarding operating expense
15 adjustments. However, in order to augment Mr. Hedrick's testimony on this
16 issue, it is important for the Commission to be aware of the history behind
17 the issue and the importance of charitable contributions and sponsorships to
18 the Cooperative.

19
20 Unlike a large investor-owned utility like TEP or APS, as a non-profit
21 community-based cooperative, SSVEC is owned and governed by its
22 member/ratepayers who, therefore, have a direct say in how the Cooperative
23 spends the money it collects through utility rates. In fact, all of the
24 approximately 930 electric cooperatives throughout the US abide by
25 something that is called *The 7 Cooperative Principles* (which I happen to
26

1 carry around in my wallet.) It should be noted that Principal No. 2 is called
2 "Democratic Member Control" which states:

3 Cooperatives are democratic organizations controlled by their
4 members who actively participate in setting their policies and
5 making decision. Men and women serving as elected
6 representatives are accountable to the membership. In primary
7 cooperatives, members have full voting rights – one member,
8 one vote- and cooperatives at other levels are organized in a
9 democratic manner.

10 Principle No. 3, called "Members' Economic Participation", states, in part
11 that:

12 Members contribute equally to, and democratically control the
13 capital of the cooperative.

14 Finally, Principle No. 7, entitled "Concern for Community", states:

15 While focusing on member needs, cooperatives work for the
16 sustainable development of their communities through policies
17 accepted by their members.

18 Over the 70 year history of SSVEC, the Cooperative has always shown its
19 commitment to the community through charitable donations and
20 sponsorships in the areas that we serve. This ensures that member dollars
21 stay in the community. Although the dollar amount at issue is quite small,
22 (less than .3 percent of total revenue), the benefits to our members and the
23 local non-profit organizations are great. As the Commissioners heard first
24 hand at the February 11, 2009, public comment session on this rate case from
25 numerous community leaders, the donations and sponsorships that the
26 Cooperative make are integral to improving the qualify of life for our
members in our service territory. These donations and sponsorships, such as
the Boys and Girls Scouts, hospital foundations and organization, youth
sports teams, money raising events for education and medical equipment for

1 hospitals, are just a few of the kinds of organizations and sponsorships that
2 SSVEC supports.

3
4 **Q. HAS THE COMMISSION ADDRESSED THIS ISSUE WITH SSVEC**
5 **IN THE PAST?**

6 A. Most certainly. In SSVEC's last rate case, both Staff and the Residential
7 Utility Consumer Office ("RUCO") proposed similar adjustments for similar
8 reasons. In its July 22, 1993, Decision No. 58358 ("Decision"), the
9 Commission found the following:

10 In response [to the proposed adjustments], SSVEC points out: it
11 is governed by a Board of Directors elected from among the
12 member-ratepayers who must remain responsive to those voters;
13 these expenses have been considered and ratified by that Board;
14 the expenditures are traditional uses of Cooperative members'
15 funds which cannot be separated from ratepayer monies and
16 should be offset by the Cooperative's non-operating-margins;
17 and, that economic development is an appropriate activity for
18 cooperatives under Arizona statutes. SSVEC indicates that the
19 directors' dinner results in a cost savings, not additional
20 expense. It costs \$336 to hold the dinner for the directors to
21 conduct election business before the annual meeting.
22 Otherwise, it would cost \$1,950 for the 13 directors to attend a
23 directors meeting for the same purpose at a cost of \$150 each.

24 These expenses go to the difficult issue of the role of a
25 Cooperative today. We are mindful of the impassioned
26 arguments made by members of the Cooperative and its board of
directors during the public comment session who said that these
expenses are appropriate for SSVEC's rural community; that the
activities supported may be the only ones available to young
people in the area and may not otherwise take place; and, that
SSVEC's support is essential for much needed economic
development. Additionally, we recognize that the cost of
SSVEC's support for all of these expenses averages but \$1.76
per customer per year. Were this an investor-owned-utility, we
could require that the investors, not the ratepayers, bear the cost
of the corporation's community mindedness. With a
cooperative the ratepayers cannot be separated from their
member-owners. For these reasons, we will allow the costs in
the instant case. However, we share the concerns of RUCO and
Staff that members' choices are made for them. Therefore, we
will require SSVEC, in its next rate proceeding, to demonstrate

1 that a majority of its members have ratified the Board's
2 expenditure of their funds for these purposes. If it does not, we
3 will disallow the expenditures. To fairly gauge its member's
4 desires SSVEC should:

5 a. prepare a ballot for each of its members containing
6 sufficient information to explain the expenses at issue;

7 b. submit a draft of the ballot to the Director of the Utilities
8 Division for approval/modification; such approval/modification
9 shall be provided within 15 days of receipt;

10 c. mail the approved ballot to each member; and

11 d. receive the approval of a majority of the members voting
12 and returning the ballots within 30 days of SSVEC's mailing of
13 the ballots.

14 Subsequent to the issuance of the Decision, and in compliance with the
15 Commission's direction set forth in the Decision, SSVEC initiated a change
16 in its bylaws that was approved by its Board of Directors and then ratified by
17 the SSVEC membership. Attached hereto as Exhibit JB-1 is a copy of a
18 February 20, 1997, letter that the Cooperative sent to then Utilities Director
19 Carl Dabelstein, notifying the Commission of the proposed change in the
20 bylaws whereby the members would authorize the Board of Director's to
21 establish policies that specifically included donations.

22 After mailing this letter to Mr. Dabelstein, SSVEC submitted the bylaw
23 change to its members. It proposed to its members to add, to the list of
24 powers given to the Board of Directors, the power to make and adopt
25 advertising and donations. Of those Members voting on this issue, over 90
26 percent approved giving the Board this authority. SSVEC bylaw section
4.07, as amended, is attached as Exhibit JB-2.

1 SSVEC submits that in the instant situation relating to this Cooperative, and
2 in light of its previously ruling on this issue, SSVEC's contributions and
3 sponsorships should not be considered as "voluntary" in the traditional sense
4 and should not be excluded from the Cooperative's operating expenses. To
5 do so would be inconsistent with its members' wishes, as well as reduce
6 operating margin which too is inconsistent with the Commission's previous
7 directives for the Cooperative to build equity (as discussed in more detail in
8 Mr. Hedrick's rebuttal testimony.)
9

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 **A. Yes.**
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IV. EXHIBITS

EXHIBIT

JB-1



**Sulphur Springs Valley
Electric Cooperative, Inc.**

Creden W. Huber
Executive Vice President
and General Manager

P.O. Box 820
Willcox, AZ 85644-0820
Telephone (520) 384-2221
800-422-9288
Fax (520) 384-5223

February 20, 1997

Mr. Carl Dabelstein
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85701

Dear Mr. Dabelstein:

Per our last rate order we are proposing to make the following change to our bylaws:

"ARTICLE IV - DIRECTORS. SECTION 4.07. Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, policies, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, advertising, and donations not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative."

The Board of Directors unanimously approved this change and it will be included with other recommended bylaw changes in mid-March unless we hear otherwise. Thank you.

Sincerely,

Charlene A. Bennett

for Creden W. Huber
Executive Vice President and General Manager



EXHIBIT

JB-2

SECTION 4.07. *Rules, Regulations, Rate Schedules and Contracts.*

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, policies, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, advertising, and donations not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2

3 COMMISSIONERS

4 KRISTIN K. MAYES—Chairman
5 GARY PIERCE
6 PAUL NEWMAN
7 SANDRA D. KENNEDY
8 BOB STUMP

9 IN THE MATTER OF THE
10 APPLICATION OF SULPHUR SPRINGS
11 VALLEY ELECTRIC COOPERATIVE,
12 INC. FOR A HEARING TO DETERMINE
13 THE FAIR VALUE OF ITS PROPERTY
14 FOR RATEMAKING PURPOSES, TO
15 FIX A JUST AND REASONABLE
16 RETURN THEREON, TO APPROVE
17 RATES DESIGNED TO DEVELOP
18 SUCH RETURN AND FOR RELATED
19 APPROVALS.

DOCKET NO. E-01575A-08-0328

20 **PRE-FILED REJOINDER TESTIMONY OF JACK BLAIR**

21 **ON BEHALF OF**

22 **SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.**

23 **APRIL 17, 2009**

24

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1 **I. INTRODUCTION**

2
3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is John ("Jack") Blair, Jr. My business address is 311 East Wilcox
5 Drive, Sierra Vista, AZ 85635.

6
7 **Q. MR. BLAIR, BY WHOM ARE YOU EMPLOYED AND IN WHAT**
8 **CAPACITY?**

9 A. I am the Chief Member Services Officer of Sulphur Springs Valley Electric
10 Cooperative, Inc. ("SSVEC" or "Cooperative").

11
12 **Q. DID YOU ALSO PRE-FILE DIRECT AND REBUTTAL TESTIMONY**
13 **IN THIS MATTER ON BEHALF OF SULPHUR SPRINGS VALLEY**
14 **ELECTRIC COOPERATIVE, INC. ("SSVEC" OR THE**
15 **"COOPERATIVE").**

16 A. Yes.

17
18 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY IN**
19 **THIS PROCEEDING?**

20 A. The purpose of my rejoinder testimony is to respond to i) the surrebuttal
21 testimony of Steve Irvine; and ii) the charitable contribution adjustment
22 proposed by Crystal Brown.

23 ...

24 ...

25 ...

26 ...

1 **II. SURREBUTTAL TESTIMONY OF STEVE IRVINE**

2
3 **Q. BASED UPON YOUR REVIEW OF MR. IRVINE'S SURREBUTTAL**
4 **TESTIMONY, ARE THERE ANY AREAS OF DISAGREEMENT**
5 **THAT REMAIN BETWEEN THE COOPERATIVE AND STAFF**
6 **REGARDING STAFF'S DSM AND REST RECOMMENDATIONS?**

7 A. Yes. Although SSVEC and Staff are in agreement on almost all of Staff
8 recommendations set forth in Mr. Irvine's Direct and Surrebuttal
9 Testimonies, there is still one area of disagreement. That issue relates to
10 Staff's recommendation that the DSM adjustor rate be reset annually on June
11 1st of each year following the filing by the Cooperative of program expenses
12 reports for the previous year by March 1st.

13
14 **Q. WHAT IS SSVEC'S CONCERN WITH THIS RECOMMENDATION?**

15 A. As I stated in my Rebuttal Testimony, SSVEC agrees that the new DSM
16 adjustor rate become effective on June 1 of each year. However, Staff is
17 recommending that such effectiveness be contingent upon Commission
18 approval of the reset. Although SSVEC does not oppose the Commission
19 approving the reset, SSVEC believes that the Commission should treat the
20 June 1 date as a "hard" deadline. As more fully explained in my Rebuttal
21 Testimony, Staff will have 90 days to review SSVEC's filing and submit the
22 matter to the Commission for approval on or before June 1st of each year.
23 SSVEC has no control over this process and has no assurance that Staff will
24 conduct its analysis within the timeframe in order to submit a proposed order
25 to the Commission for approval before June 1. SSVEC believes that if the
26 Commission does not approve the filing by June 1, the new adjustor rate

1 should automatically become effective. SSVEC believes this is appropriate
2 for the following reasons:

- 3
- 4 • The Commission is *not* denied the *opportunity* to consider and approve
- 5 the matter.
- 6 • It provides the Commission flexibility under the circumstances.
- 7 • The Commission will have 90 days to consider and approve the filing
- 8 which should be more than enough time.
- 9 • SSVEC would agree that the Commission could “true-up” the adjustor
- 10 the following year if it did not approve the adjustor the previous year.
- 11 • It provides the Cooperative certainty by not placing the Cooperative at
- 12 a disadvantage by having to further wait to recover additional program
- 13 expenses (or reduce the adjustor for its customers if appropriate) until
- 14 such time that the Staff and the Commission decide to act on the filing
- 15 which is completely outside the Cooperative’s control.
- 16 • It motivates SSVEC to promote and proliferate DSM programs
- 17 consistent with the Commission objectives by ensuring that SSVEC
- 18 will receive timely recovery of program expenses.
- 19

20 **Q. WHAT IS THE REASON STAFF PROVIDES IN ITS SURREBUTTAL**
21 **TESTIMONY AS TO WHY THE HARD DEADLINE IS NOT**
22 **APPROPRIATE?**

23 **A.** Mr. Irvine states that adjudication of the filing by the Commission will allow
24 the Commission to directly manage recovery of the DSM adjustor rate and
25 the impact on its ratepayers and that automatic implementation is not
26 consistent with setting the rate pursuant to Commission order.

1 Q. DO YOU AGREE WITH THIS REASON AS THE BASIS FOR THE
2 COMMISSION TO REJECT SSVEC'S PROPOSAL?

3 A. No. SSVEC's proposal provides the Commission up to 90 days to approve
4 the filing which therefore provides the Commission the opportunity to
5 directly manage recovery of the DSM adjustor rate and the impact to
6 customers that Mr. Irvine speaks of. Moreover, the Commission has
7 approved many adjustors that do not require reset by Commission order
8 which is one of the reasons for having adjustor mechanisms.

9
10 **III. CHARITABLE EXPENSE ADJUSTMENT**

11
12 Q. IN HER SURREBUTTAL TESTIMONY, MS. BROWN MAINTAINS
13 HER RECOMMENDATION THAT \$298,622 OF THE
14 COOPERATIVE'S CHARITABLE CONTRIBUTIONS AND
15 SPONSORSHIPS BE EXCLUDED FROM THE COOPERATIVE'S
16 OPERATING EXPENSES. ON PAGE 7, LINES 18 AND 19 OF HER
17 SURREBUTTAL TESTIMONY, MS. BROWN STATES THAT "THE
18 COMMISSION, IN DECISION NO 58358 DOES NOT PROVIDE FOR
19 AUTOMATIC RECOVERY OF [CHARITABLE CONTRIBUTIONS].
20 DO YOU AGREE WITH THAT STATEMENT?

21 A. No. In fact, the Decision indicates the contrary by specifically stating "we
22 will allow the costs in the instant case" but required the Cooperative as a
23 condition of recovery, to first obtain member approval through a bylaw
24 amendment, which it did as more fully described in my Rebuttal Testimony.

25 ...

26 ...

1 **Q. MS. BROWN STATES THAT STAFF IS NOT RECOMMENDING**
2 **THAT SSVEC CEASE CHARITABLE CONTRIBUTIONS. PLEASE**
3 **COMMENT ON THIS STATEMENT.**

4 A. Although Staff is not recommending that SSVEC cease its charitable
5 contribution activity, by implication it is acknowledging that the Cooperative
6 can continue such activity if it so chooses. As a cooperative, SSVEC's sole
7 source of revenues is from its member-ratepayers. Therefore, as more fully
8 discussed in Mr. Hedrick's Rebuttal and Rejoinder Testimonies, Staff is
9 requiring SSVEC to fund such activities from equity, which is inconsistent
10 with the Cooperative and Commission objective that SSVEC build its equity.

11
12 **Q. FINALLY, MS. BROWN STATES THAT ARIZONA ELECTRIC**
13 **COOPERATIVE ("AEPCO"), IN DECISION NO 68071 ADOPTED**
14 **STAFF'S RECOMMENDATION TO RECOGNIZE CHARITABLE**
15 **CONTRIBUTIONS AND OTHER EXPENSES BELOW THE LINE.**
16 **PLEASE COMMENT ON THIS STATEMENT.**

17 A. Unlike SSVEC, AEPCO is a wholesale generation cooperative. Its members
18 are comprised not of individual customers and ratepayers, but member
19 cooperatives such as SSVEC. This is an apples to oranges comparison. The
20 SSVEC member-ratepayers have specifically authorized the Cooperative to
21 use ratepayer money to fund charitable contributions and programs within the
22 Cooperative community at the local level. This is vastly different than the
23 AEPCO situation and is not a valid comparison. Moreover, unlike an
24 investor owned utility where the utility might elect to use shareholder money
25 to fund such programs, SSVEC has no shareholders.

26 ...

1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?
2 A. Yes.
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**RESPONSE OF SSVEC
TO ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS
DOCKET NO. E-01575A-08-0328
August 1, 2008**

EXHIBIT

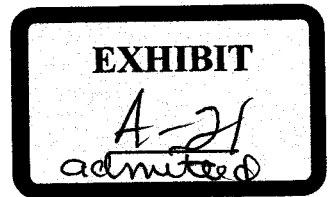
*A-20
admitted*

CSB 1.49 Rate Case Expense, Budget – Please provide the Cooperative's detailed rate case budget or, in the alternative, please explain why no detailed budget is prepared.

Response: A detailed rate case budget was not prepared because we do not have adequate institutional knowledge available to us to develop an effective budget nor personnel dedicated to the preparation of rate case schedules. The last test year for an SSVEC rate case was 1992 and none of our current executives were with SSVEC at that time. (Please also see the response to CSB 1.48 regarding our internal procedure to minimize rate case expenses.) SSVEC anticipates that its rate case expenses will be consistent with those of other cooperatives of similar size, taking into consideration the fact that this is SSVEC's first rate case in over 16 years.

Prepared by: Kirby Chapman, Chief Financial Officer
Sulphur Springs Valley Electric Cooperative, Inc.
311 E. Wilcox Dr.
Sierra Vista, AZ 85635

**RESPONSE OF SSVEC
TO ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS
DOCKET NO. E-01575A-08-0328
August 1, 2008**



CSB 1.48 Rate Case Expense, Internal Controls – Please provide a detailed description of the procedures that Sulphur Springs has in place to manage and control the cost of rate case expense.

Response: SSVEC is compiling and preparing as much of the information internally as possible with clerical level employees to minimize the cost of consultants and outside legal counsel. The rate effort for SSVEC is also under the daily supervision of the Chief Financial Officer who can allocate rate case-related tasks throughout SSVEC in the most cost-effective manner possible.

Prepared by: Kirby Chapman, Chief Financial Officer
 Sulphur Springs Valley Electric Cooperative, Inc.
 311 E. Wilcox Dr.
 Sierra Vista, AZ 85635

RESPONSE OF SSVEC
TO ARIZONA CORPORATION COMMISSION
STAFF'S SIXTEENTH SET OF DATA REQUESTS
DOCKET NO. E-01575A-08-0328
March 13, 2009

EXHIBIT

A-22
admitted

CSB 16.1 Rate Case Expense – Please provide invoices to support the \$397,608 in rate case expense shown on Exhibit DH-7, page 1. As part of your response, please provide an explanation citing the specific reasons why rate case expense has exceeded the Cooperative's original estimate of \$100,000.

Response: At the time SSVEC filed its rate case application, the Cooperative did not know the amount of rate case expenses it would ultimately incur from beginning to end. SSVEC has not had a rate case before the Commission in 17 years and there were extensive changes to SSVEC's tariffs. The \$100,000 included in the Cooperative's June 30, 2008, rate application was not intended to be an actual rate case expense estimate, but rather an initial placeholder based upon the expenses SSVEC had incurred through the time of the filing and anticipated to be expended through the sufficiency process. SSVEC was aware that the actual rate case expenses would ultimately be much higher depending upon the level of activity required which was not known at the time. The Cooperative did not want to simply guess at what the total expenses might be and believed that it would be more appropriate to provide its final rate case expense estimate at a time after the majority of the expenses had been incurred and future expenses could be more accurately estimated.

Subsequent to the sufficiency of the application, there has been extensive interaction with Staff to gain compliance, file amended schedules, formally respond to 16 sets of data requests, and informally respond to requests for other information. Extensive rebuttal testimony had to be prepared to include an unanticipated additional rate case consultant and rebuttal witness to address Mr. Mendl's testimony. The \$397,608 expense that SSVEC has submitted includes all rate case expenses incurred through February of 2009, as well as anticipated expenses to include the preparation and filing of its rejoinder testimony, hearing preparation, a pre-hearing conference, two days of hearing and closing briefs.

Attached as Attachment CSB 16.1 are the requested invoices through February 2009 in support. Please note that the legal invoices have been redacted as they are privileged and confidential. If however Staff would like to review the legal invoices subject to the provisions of the Protective Agreement, SSVEC would again make the unredacted legal invoices available for inspection.

Prepared by: Kirby Chapman
Chief Financial and Administrative Officer
Sulphur Springs Valley Electric Cooperative
311 E. Wilcox Drive
Sierra Vista, AZ 85650

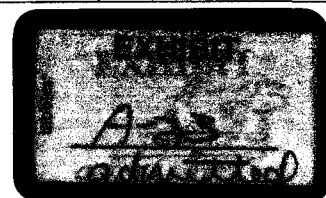
SSVEC 2008 RATE CASE - Docket No. E-OI575A-08-0328
DATA REQUEST RESPONSES

<u>Data Response #</u>	<u>Date of Data Request</u>	<u>Number of Data Responses</u>	<u>Responses</u>	<u>Date of Response</u>
1	08/01/08	50	1 st Responses (All Except Following)	08/11/08
			Resp. to 1.14, 1.33, 1.39 & 1.40	08/12/08
			Revised Resp. to 1.39	08/14/08
			Revised Resp. to 1.40	08/13/08
			Resp. to 1.12, 1.38 & Revised 1.13	08/18/08
2	08/20/08	25	2 nd Responses (All Except Following)	09/02/08
			Rev Resp. to 2.7	09/03/08
			Supp. Resp. to 2.25	09/04/08
3	09/22/08	17	3 rd Responses (3.1 & 3.2)	09/25/08
			Resp. 3.3 – 3.17	10/07/08
			Updated Resp. to 3.6	10/17/08
4	09/25/08	4	4 th Responses (4.1, 4.3 & 4.4)	10/07/08
			4.2 (This Response Amends Previous 4.1 Response)	10/09/08
5	09/30/08	4	5 th Responses	10/14/08
6	10/09/08	6	6 th Responses	10/20/08
			Rev. Resp. to 6.5	01/06/09
7	10/22/08	7	7 th Responses	10/30/08
8	10/31/08	23	8 th Response	11/12/08
			Resp. 8.01 & 8.21	11/13/08
9	11/19/08 (Revised Set)	28	9 th Response to Revised DR	11/26/08
			Supp. Resp. to 9.9, 9.19 & 9.27	12/01/08
10	11/17/08	17	10 th Responses	12/02/08
11	12/01/08	3	11 th Responses	12/05/08
12	12/11/08	9	12 th Responses	12/23/08
			Supp. Resp. to 12.4	02/20/09
13	12/15/08	4	13 th Responses	12/23/08
			Supp. Resp. to 13.1	12/29/08
14	12/15/08	62	14 th Responses	12/29/08
			Confidential Supp. Resp. to 14.6, 14.31, 14.53 & 14.56	12/30/08
			Supp. Resp. to 14.35, 14.41, 14.61 & 14.62	12/30/08
			Supp. Resp. to 14.19	02/18/09
15	12/19/08	1	15 th Responses	12/29/08
16	03/13/09	2	16 th Responses	03/20/09
17	03/20/09	6	17 th Responses	03/25/09
			Supp. Resp. 17.3	03/25/09
			Supp. Resp. 17.1, 17.2 & 17.4	03/26/09

Total Data Responses 268

Number of Responses Answered By:

132 Kirby Chapman – Chief Financial and Administrative Officer
40 David Hedrick – Vice President/Manager, Analytical Solutions
34 David M. Brian, P. E.
33 Anselmo Torres – Chief Engineering and Operations Officer
10 Jack Blair – Chief Marketing Officer



Rebecca Payne – Consultant 11
Christopher Hitchcock – General Counsel 4
Ron Orozco – Engineering Manager 3
Pete Swiatek – Operations Manager 1

FILE COPY

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



BRIAN C. McNEIL
Executive Director

ARIZONA CORPORATION COMMISSION

July 8, 2008

Mr. Jack Blair
Manager – Marketing and External Affairs
Sulphur Springs Valley Electric cooperative, Inc.
Post Office Box 638
Sierra Vista, Arizona 85636

Dear Mr. Blair:

Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") has submitted its demand-side management ("DSM") reports covering the periods from the second half of 2001 through the first half of 2007. Staff has evaluated these reports covering the period from the second half of 2001 through the end of 2006.

Staff has reviewed the Commission order related to Sulphur's DSM cost recovery and has concluded that costs of approved DSM programs can be recovered through the DSM adjustor without approval of either Staff or the Commission provided that no material changes to the approved programs occur. Staff has reviewed the filings from the last half of 2001 to the end of 2006 and has concerns about some of the costs for which Sulphur seeks recovery. While it is Staff's conclusion that permission to pass through DSM costs is not needed when no material changes occur to the approved DSM programs, Staff has reviewed the submitted reports and provides a response to Sulphur to indicate which costs are recoverable. Staff reminds Sulphur that all DSM cost recovery is subject to future audit. Staff additionally finds that it is appropriate for Sulphur to continue to generate and submit DSM reports. For costs shown to be disallowed in this letter, Sulphur may provide clarification or additional information to Staff in order to seek allowance for the costs. Staff intends to perform cost-benefit analysis on the programs, based on reports for 2007, and will inform Sulphur of the results.

The following is a discussion of disallowances and corrections that apply to the reports:
(Reports from January - June are shown as report A and July - December reports are shown as report B)

2001 B

The ad Handyman 3A promotes the use of a heat pump as an alternative to an evaporative cooler. It does not promote the use of a more efficient heat pump than would be installed otherwise.

EXHIBIT

A-24
admitted

The ad Heat Pump 6A promotes use of a heat pump as an alternative to a gas furnace and swamp cooler. This ad promotes fuel switching and does not promote use of a more efficient heat pump than would be installed otherwise.

Of the \$44,220.24 claimed as DSM costs (costs not reimbursed by AEPCO and not recovered through base rates), Sulphur may recover \$32,347.24 through its purchased power adjustor. The difference results from a disallowance of the advertising.

2002 A

Total Advertising Cost in section D, \$7,439.45, is the sum of part 3 of section D and does not include subtotals from the Co-op Connection or Currents Magazine parts D1 and D2 respectively. The total DSM recovery for this period should be \$23,678.81 rather than \$19,062.05.

2002 B

Total Advertising Cost in section D, \$12,973.10, is the sum of part 3 of section D and does not include subtotals from the Co-op Connection or Currents Magazine parts D1 and D2 respectively. The total DSM recovery for this period should be \$30,779.18 rather than \$27,671.10.

2003 A

The cost section shows 36 rebates claimed, but 46 rebates are shown in the supporting document. Please review this matter and determine if additional recovery should be sought. The total DSM recovery for this period should be \$28,679.62, unless it is appropriate to include the costs of the 10 additional rebates.

2003 B

Total Advertising Cost in section D, \$4,261.64, is the sum of part 3 of section D and does not include subtotals from the Co-op Connection or Currents Magazine parts D1 and D2 respectively. The total DSM recovery for this period should be \$27,303.52 rather than \$24,046.24.

2005 B

Part B Energy Efficient Existing Home Program is calculated at \$20,250 and is mathematically incorrect. The formula presented is 81 rebates @ \$250 and 4 rebates @ \$200 = \$20,250.00. The total figure should be \$21,050 according to Staff's calculation.

2006 A

Total Advertising Cost in section D, \$45,084.75, is the sum of part 3 of section D and does not include subtotals from the Co-op Connection or Currents Magazine parts D1 and D2 respectively. The total DSM recovery for this period should be \$108,456.39 rather than \$99,470.55.

2006 B

The ads titled All - Electric Rebate, Electric Appliances, All-Electric Home Rebate, and Natural Choice promote fuel switching. The ads Energy Tips and Business Lighting do not promote fuel switching and are acceptable. While invoices from media providers are included in the report, it is not clear which portion of the media costs listed in the cost analysis relates to the individual ads. As only two of the ads do not promote fuel switching, Sulphur may seek recovery for the Energy Tips and Business Lighting ads after providing information to Staff describing what portion of the costs relate to the Energy Tips and Business Lighting ads.

Of the \$96,944.73 claimed as DSM costs (costs not reimbursed by AEPCO and not recovered through base rates), Sulphur may recover \$75,454.48 through its purchased power adjustor. The difference results from a disallowance of the advertising.

Other Reports/No Adjustment


Sulphur may recover \$45,710.73 as requested in the report 2004 A, \$30,787.56 as requested in the report 2004 B, and \$33,719.31 as requested in the report 2005 A.

The total amount of DSM costs to be recovered from 2001 through 2006 is \$502,414.36.

Attachment I summarizes the costs of these programs as submitted by Sulphur and approved for recovery. Attachment II provides pages from the reports that illustrate the mathematical errors and disallowed media ads described above.

If you have any questions about this matter, please contact Steve Irvine of our Staff at (602) 542-0824, or me, at (602) 542-0745.

Respectfully,

for 
Ernest G. Johnson
Director
Utilities Division

EGJ:SPI:tdp

Originator: Steve Irvine

Approval of SSVEC's DSM Expenses 2001-2008

Period DSM Expenses Incurred	Date of Filing	Dollar Amount Requested for		Amount Approved	Date Approved
		Recovery			
2001-2006	(semi-annually)*	\$549,929.77	\$502,414.36	7/8/2008	
January 1, 2007 - June 30, 2007	10/12/2007	\$106,590.54	Pending	Pending	
July 1, 2007 - December 31, 2007	4/14/2008	\$97,805.44	Pending	Pending	
January 1, 2008 - June 30, 2008	10/14/2008	\$73,290.83	Pending	Pending	
July 1, 2008 - December 31, 2008	4/14/2009	\$175,660.77	Pending	Pending	
TOTAL DOLLAR AMOUNT OF DSM EXPENSES INCURRED PENDING APPROVAL		\$453,347.58			

TOTAL DOLLAR AMOUNT OF DSM EXPENSES
INCURRED PENDING APPROVAL

*Expenses incurred and filed semi-annually throughout 2001-2006

